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World Agricultural Situation

Economic Research
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U.S. Department of
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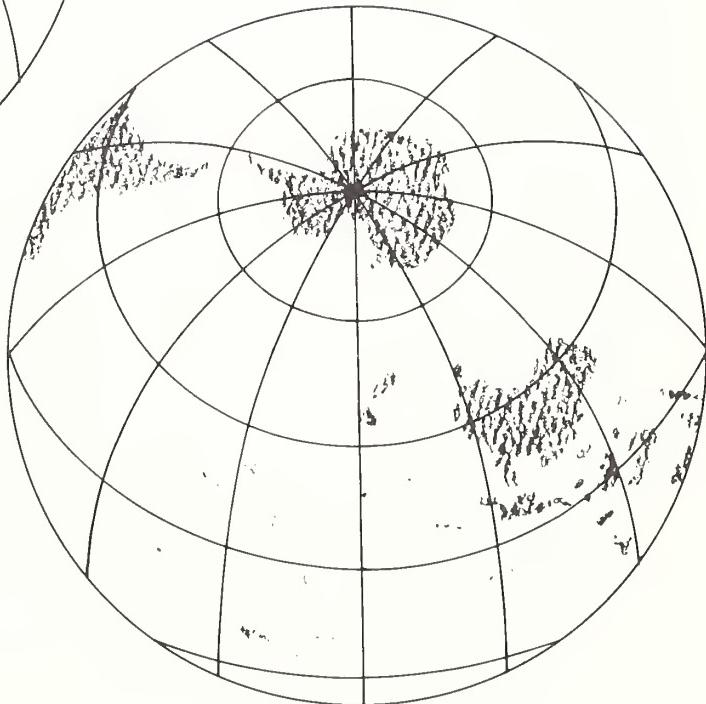
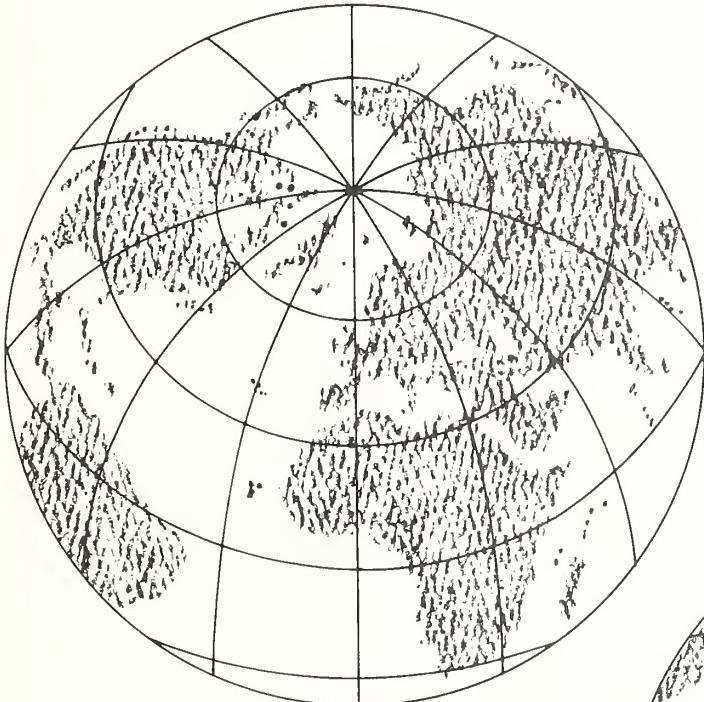
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YOU'RE INVITED

Don't miss the U.S. Department of Agriculture's Food and Agricultural Outlook Conference, November 14-17, in Washington, D.C.

You're invited to attend and actively participate in this year's proceedings which have been revamped to allow more time for questions and answers. So be there and join in when we preview 1978's agriculture with leading authorities who will help you size up next year's outlook.

You'll benefit from the latest thinking in outlook sessions on the U.S. agricultural and general economies, world trade, weather, retail food supplies and prices, implications of new farm and food policy, food marketing and distribution, farm inputs, and the major farm commodities. This year, there will also be sessions on how outlook information is derived, and on natural resources and the environment.

Or, if consumer affairs are your bread and butter, attend the family living session for the latest on legislation, clothing, housing, health care, and food consumption.

A concluding general session on food and diets will have implications for both consumers and producers.

This Preliminary Program is intended as an early guide to Conference times and topics. Please remember that it is subject to change. If you know of others who should receive a Preliminary Program, please send their name and address to Donnell Royster, USDA-ERS-DI, Room 0054-South Building, Washington D.C., 20250.

The Preliminary Program for the Food and Agricultural Outlook Conference is located at the end of this publication.

THE WORLD AGRICULTURAL SITUATION

CONTENTS

	Page
Summary	3
World Economy	4
World Price Developments	5
World Fertilizer Situation	6
U.S. Agricultural Trade	7
Commodities	
Large Stocks and Low Prices for Grain	8
Supplies and Consumption of Vegetable Oil and Meal to Rise in 1978	10
No Growth in World Meat Production in 1977	11
Milk: Surplus in Developed and Deficit in Developing Countries	12
Larger Sugar Stocks Forthcoming	12
Large Cotton Crop in Prospect	13
Regional Agricultural Developments	15
United States	15
Other Developed Countries	15
USSR	17
Eastern Europe	18
People's Republic of China	18
Asia	19
Africa and West Asia	20
Latin America	21
World Food and Trade Policy Developments	22
International Fund for Agricultural Development	22
Grain Reserves	23
Food Aid	23

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The World Food and Agricultural Outlook
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202-447-8260

Foreign Demand and Competition Division
Economic Research Service
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The *World Agricultural Situation* is published in June, September, and December. Agricultural situation reports for the world's major regions are published during March-May.

SUMMARY

A prospective further buildup in world grain stocks, particularly for coarse grains, together with depressed grain prices, continue to dominate the world agricultural situation. The 1976/77 record world grain crop built stocks sharply. The prospective 1977/78 crop is also well above expected consumption, pointing to the largest yearend stocks since 1969/70. Relative to global usage, beginning stocks are the largest since 1972/73.

World grain production in 1977/78 is expected to be about on trend although slightly smaller than in 1976/77. Consumption is expected to move higher in 1977/78 partly because of increased livestock feeding, although remaining under the trend. A small decline in per capita grain utilization in the developing countries to about the 1970 level seems likely.

The demand for imported agricultural commodities in developed countries, excluding the United States, could be dampened somewhat if recent gloomy forecasts of slower economic expansion materialize. Continuing economic growth in both the non-OPEC and OPEC developing countries should help bolster import demand.

U.S. agricultural exports are likely to decline some 5 to 10 percent in value during fiscal 1977/78 from fiscal 1976/77's \$24 billion because of lower prices and marginal decreases in quantity. The value of U.S. agricultural imports may level off at around 1977's record-high \$14 billion, reflecting a substantial rise in the bill for coffee, cocoa, and tea.

The tight world supply situation for oilmeals is expected to ease further in 1978 largely because of the sizable growth in 1977 U.S. soybean production and increased oilseed output in Brazil, Canada, and the USSR. Larger supplies and lower prices should lead to increased world consumption. World vegetable oil production should also increase, as well as consumption.

Meat production in the world's principal consuming regions will likely hold near the record 1976 levels, with larger pork and poultry output

Note: Unless stated otherwise, split years (e.g., 1976/77) mean July/June. Fiscal 1977 means October 1976/September 1977. Tons are metric and dollars are U.S. unless otherwise specified.

compensating for declines in beef. Net imports of meat into these regions likely will be stable, or perhaps slightly lower. With herd liquidations in process, low world producer prices are in prospect.

World milk production in the major producing countries is expected to increase about 2 percent in 1977, with the USSR, the EC, and the United States primarily responsible. The EC is implementing policies to restructure its dairy industry in 1978 in order to reduce milk surpluses.

World sugar output in 1977/78 is expected to exceed consumption, indicating a further sizable

buildup in stocks that already equal about 28 percent of consumption. The resulting low prices have added impetus for a new International Sugar Agreement with economic provisions.

Production prospects for 1977/78 point to a sharp increase in world cotton output. World cotton use may rise moderately, but additions to stocks are likely after 2 consecutive years of substantial drawdowns. Consideration is being given to the extension of the international Multi-Fiber Agreement which governs 90 percent of world textile trade. The agreement expires at the end of 1977.

WORLD ECONOMY

Economic growth in the developed countries, excluding the United States, has been disappointing. This is reflected in economic growth forecasts by the Organization for Economic Cooperation and Development (OECD) and others which have reduced expectations for growth next year. The post-recession expansion has been characterized by the OECD as modest and hesitant. From June 1976 to June 1977, the economic growth rate of all OECD member countries was only 4 percent with the United States, Japan, and Germany leading the list. Growth in the second half of 1977 is forecast to be only slightly higher—4.5 percent, with much of the improvement in Japan. Growth in the European developed countries is forecast at under 3 percent for the remainder of 1977 and the first half of 1978. The smaller developed countries, except for Norway and Greece, are continuing to have low economic growth rates.

Lack of growth in capital investment is a major reason for lagging economic recovery. In the United States, some economic models forecast a high rate of investment in plant and equipment in coming months. However, in other countries the forecasts for domestic demand appear to be insufficient to generate incentives for increased investment spending in early 1978. In the second quarter of 1977 retail sales were down in the other major developed countries. In contrast to the steady rise in industrial production in the United States through mid-1977, other developed countries experienced sharp fluctuations. By May, Japan, France and Canada were at roughly the same level as at end of 1976, while West Germany and Italy were below the earlier level and only the United Kingdom, among major countries, was above it.

Sluggish capital investment, low or fluctuating levels of industrial production, and continuing high price increases have kept unemployment at high levels in most developed countries. In France, the United Kingdom, and Canada the unemployment rate has grown slightly during 1977. In other developed countries besides the United States, unemployment remained high but

stable. Unemployment is expected to remain a problem in most countries over the next 12 months, but policies to stimulate consumer demand and capital investment pose the possibility of fueling inflation. Inflation remains a serious problem in Italy and the United Kingdom, countries that have had the largest price increases over the past year, followed by Canada and France. The U.S. consumer price index in June was 7.3 percent above June 1976. West Germany and Japan fared better in keeping prices down.

The lack of investment spending in Europe has adversely affected demand for U.S. manufactured exports, contributing to the current U.S. trade deficit. However, some other developed countries have improved their external trade and payments situations. By early 1978, the United Kingdom and Italy may be in a surplus current account position as exports continue to grow at a higher rate than imports. Though Germany's and Japan's surpluses are expected to narrow in the last half of 1977, OECD forecasts a larger surplus for the first half of 1978.

Despite the slow growth in world trade and a leveling off of commodity prices after they peaked in April, overall economic growth in the non-OPEC developing countries is expected to continue rising at a healthy rate in 1977, about 5 percent—the same as in 1976. Asian countries have the highest growth rates and lowest inflation rates. The buildup in foreign exchange reserves of many non-OPEC developing countries has continued in 1977, stimulating imports and domestic economic activity while dampening the need for new commercial borrowings. The volume of imports from the developed countries is expected to rise quite sharply during the last half of 1977 and into 1978.

The OPEC countries are facing some decline in 1977 in their large current account surplus position as their economies expand while the rate of oil production slows down. Overall, economic growth rates are expected to decline in 1977 as domestic prices rise. Saudi Arabia and the United Arab Emirates in July announced an oil price hike of 5 percent for the second half of 1977 to bring their prices into line with the rest of OPEC. (*Eileen M. Manfredi: 202-447-7590*)

WORLD PRICE DEVELOPMENTS

International commodity prices further moderated in midyear as new crop supplies came to market in a year of bountiful harvests. Commodity prices showed a greater-than-usual seasonal decline; wheat, corn, cotton, and sugar were priced well below the level of a year earlier. Soybeans, imported cow meat, and rubber were priced slightly lower than a year ago. Coffee prices have been declining in recent months but are still nearly 50 percent higher than a year ago.

Farm Prices

U.S. farm prices continued to decline in August from their May peak reaching an index of 174 (1967=100), 6 percent lower than a year ago. All grains, except rice, were priced lower, as were hay, cottonseed, and linseed. Soybean prices, which had a strong runup in 1976/77, began to slip in May, as the new crop began to be harvested. Cotton, peanuts, tobacco, potatoes, sweet potatoes, dry edible beans and peas are all priced higher than they were a year ago. Prices in the livestock sector have been increasing erratically since November 1976. Cattle prices were 5 percent higher than a year ago, but hogs were about the same.

Japan and Western Europe experienced the same decline in farm level pork prices as did the United States in the spring, but hog prices rebounded in June; only the Netherlands, Belgium, and Denmark had a slump in spring beef prices (table 1). Farm level potato prices declined sharply as potato production recovered from the previous

year's shortfalls. Grain prices, influenced by the EC and Japanese support programs, continued to strengthen counter to international grain trade prices.

Canadian farm prices declined through June, falling 5 percent from a year ago. Hog and potato prices have rebounded recently, but cattle prices are still weak.

Prices of Agricultural Inputs

The U.S. index of prices paid by farmers for agricultural inputs remained nearly steady in recent months and in July was 202 (1967=100), but was still 5 percent higher than it was a year ago. While feed was priced lower than it was a year ago, feeder and farm and motor supplies were all priced higher. Mostly because of the decline in feed prices, feed-livestock price ratios were much improved for hogs and slightly improved for broilers, turkeys and milk, and reduced for eggs.

Although Japanese farm input prices a year ago, were 4.7 percent higher than in May prices received by farmers increased at a slower rate (table 2). Higher feed costs without corresponding price increases in livestock products may be cutting into profitability of livestock feeding enterprises.

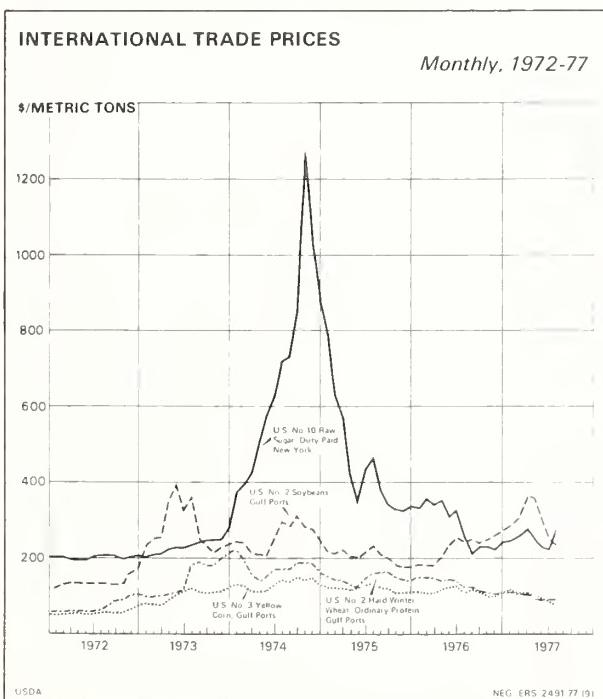
Canadian farmers also faced increased farm input costs and declining prices for products. Increased prices for mixed feed have severely cut livestock feeding profitability in the United Kingdom.

Export and Import Prices

The July U.S. export price index at 208 (1967=100) was 1 percent lower than it was a year ago (table 3). The index has declined in relation to year-ago levels as falling prices for the major grains, except rice, more than balanced price gains for the soybean complex, cotton, tobacco, rice, tallow, cattle hides and nonfat dry milk. Wheat, at an export unit value of \$3.04 a bushel, is at its lowest level in nearly 4 years; corn, at \$2.52 a bushel, was at its lowest level in 3½ years. The soybean export unit value, which hit an alltime peak in May, has since declined to \$8.20 a bushel in July.

U.S. import prices at an index of 230 (1967=100) were 12 percent higher than a year ago as coffee and cocoa bean prices more than doubled. Rubber, wines, tobacco, bananas, and tomatoes were also priced higher than they were a year ago, whereas sugar, beef and veal, and canned hams were priced lower.

Japanese, Canadian, and West German agricultural import prices generally moved in the same directions as US import prices. Canadian export prices for wheat and beef have declined.



Despite the general decline in world grain prices, EC users are paying more for grain than a year ago because of the operation of the EC minimum import price system.

Consumer Food Prices

The July U.S. July consumer price index (CPI) for food was 195 (1967=100), 6.7 percent higher than in July 1976. The month-to-month increase in the CPI for food was slower than it had been in the early months of 1976.

Price hikes for fresh fruits and vegetables and vegetable oils more than offset the declines in meat and sugar prices. Retail beef was priced about the same as last year and pork was 9 percent lower.

The United States and Canada—with a 3-percent increase in food prices—surpassed nearly every other country in maintaining stable food prices from the first quarter of 1976 to the first quarter of 1977 (table 4). Only the USSR, Eastern Europe, Sri Lanka, and Bangladesh had smaller price rises during the same period. (*H. Christine Collins: 202-447-8646*)

WORLD FERTILIZER SITUATION

Overall world supplies of most fertilizer materials are adequate to meet expected demand. Significant construction and expansion of production facilities for nitrogenous and phosphatic fertilizers and expanded production at existing potash installations should result in sufficient capacity to exceed effective world demand through 1981/82 (tables 5 and 6).

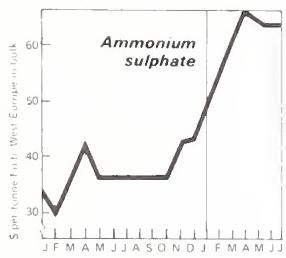
Nitrogen

The current situation for nitrogenous fertilizers is characterized by a partial recovery from a trade

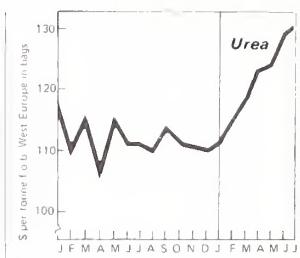
slump experienced in 1975/76 when world exports of these fertilizers declined by 13 percent. The downturn occurred during a year when world use of nitrogenous fertilizers increased by more than 12 percent as countries reduced stocks acquired during the panic buying of 1974/75. The export decline reflects growing self-sufficiency of the nitrogen deficit developing nations.

Recent large purchases by China and India are indicative of strengthened demand in 1976/77. Prices of nitrogenous products have remained relatively firm in 1977, but as new production facilities

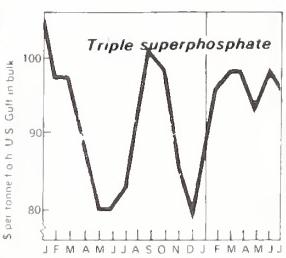
RECENT INTERNATIONAL PRICE TRENDS FOR PRINCIPAL FERTILIZERS



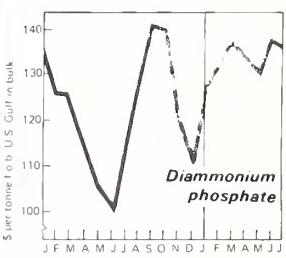
Ammonium sulphate remains firm but further sharp price increases do not seem probable



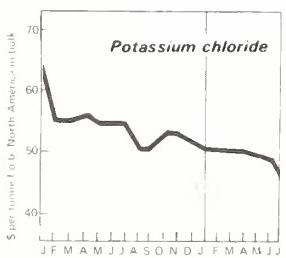
Chinese and Indian purchases have prompted further price escalation. Continuing upward trend expected in short term but scheduled introduction of 10 million t.p.a. capacity in 77/78 must cause turn in market



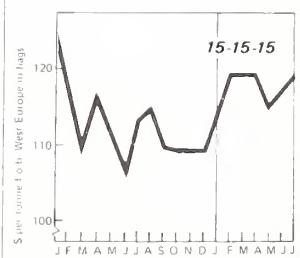
The U.S. price of TSP is holding up better this year than in 1976 but new international demand seems biased towards higher water soluble product which favours North African producers



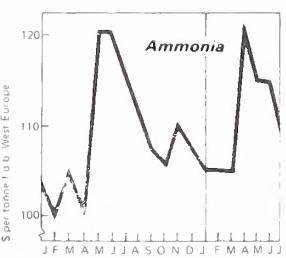
Fluctuating market for DAP caused by uncertainty over the size of the requirement in Brazil and Italy and financial difficulties in Turkey



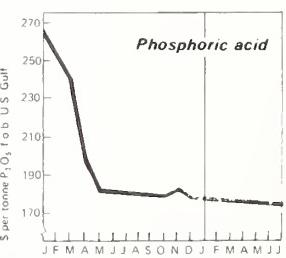
Traditional summer slack in U.S. demand has resulted in cargoes of standard grade U.S. product being offered at below \$50 per tonne f.o.b.



Compound fertilizer prices generally do not seem to be varying as much as straight fertilizers. Venezuela, Egypt and Zambia are all due to tender soon and these markets' requirements could help firm prices



Prices have softened but not to the extent expected. However, despite current stability further price reductions are expected as North American export availability grows



Further weakening in the price of acid to Brazil although now as with other markets the price is stabilizing

Source: British Sulphur Corporation, Fertilizer International, No. 98, August 1977, p. 4

come on stream, abundant supplies will exert downward pressure on prices.

In the United States, 1976/77 nitrogen supplies were large and use appears to have exceeded 1975/76 levels. In 1977/78, the completion of additional production facilities will result in increased availability of nitrogenous materials even if natural gas curtailments were to be as large as last winter. Expected natural gas curtailments probably will not lead to production losses as high as those last year.

Phosphates

Phosphate fertilizer stocks are currently being reduced by increased demand from U.S. and Western European farmers (the two largest phosphate users). The shutdown of the large Bu Craa mine in the former Spanish Sahara has also reduced supply availability. The United States continues to be the largest producer of phosphate rock with about 41 percent of world output. North American exports of phosphate fertilizers account for nearly half of the world trade in those materials. Phosphatic product prices have become more stable, except for seasonal demand fluctuations, after declining through 1975 and the first half of 1976.

U.S. exports of concentrated phosphates have increased impressively since 1970/71, growing from about 810,000 tons to about 2.1 million in

1976/77. Continued U.S. export growth appears likely partially because of possible future exports of 1 million metric tons per year of super phosphoric acid to the USSR by 1980 in exchange for ammonia, urea, and potash.

Potash

The Soviet Union recently surpassed the United States as the world's largest user of potash, following a 35-percent increase in use in 1975/76. Despite increased domestic use, the exportable surplus of the centrally planned economies (particularly the USSR) is expected to grow and exceed the exportable surplus of the developed market economies by 1981/82. Little additional potash production capacity is expected to be developed anywhere else before 1982.

In 1975/76, exports from North America accounted for 43 percent of total world potash trade and the bulk of that came from Saskatchewan, Canada. Saskatchewan produces about 70 percent of the potash used in the United States. That figure will probably grow as mines in New Mexico continue to be depleted. The Potash Corporation of Saskatchewan, owned by the Provincial Government, recently took over its third company; its goal of ownership of 50 percent of the province's potash production will most likely be quickly realized. (*Richard Rortvedt, National Economic Analysis Division: 202-447-5457*)

U.S. AGRICULTURAL TRADE

Exports at \$24 Billion in Fiscal 1977

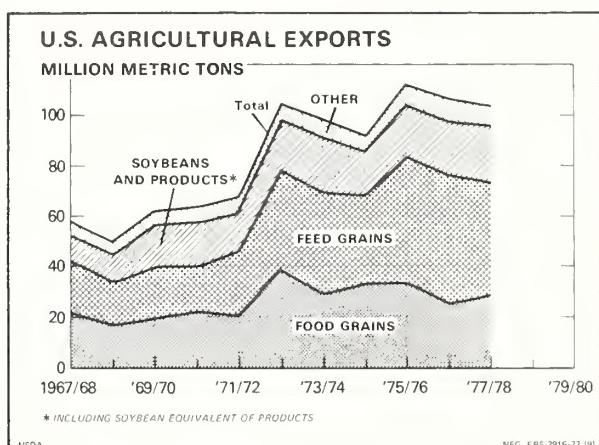
U.S. agricultural exports are estimated at \$24 billion in fiscal 1977 (ending September 30), 5 percent above a year earlier (table 7). During the first 11 months of the year exports totaled \$22.3 billion, 6 percent above a year earlier.

Much of the increase in agricultural exports in fiscal 1977 is due to higher prices and expanded volumes of soybean and cotton shipments. Exports of many other commodities are running larger this year, including dairy and poultry products, vegetables, rice, and fats and oils.

However, feed grain exports will remain near 1975/76's 50 million tons with the export value down more than a tenth. Wheat exports are estimated at three-fourths of the year-earlier volume, and the wheat export unit value is down about a fifth.

Developed countries are providing the major boost to U.S. agricultural exports during fiscal 1977, with larger shipments to Western Europe, Japan, and Canada. The value of shipments to the

developing countries is estimated up 5 percent from a year earlier. However, the value of exports to the centrally planned countries will be substantially below 1975/76.



Export Value May Dip in Fiscal 1978

The value of U.S. agricultural exports is likely to decline in fiscal 1978, perhaps by 5 to 10 percent. Average export values are expected to be lower for most of the major commodities, and the export tonnage may also drop marginally.

U.S. wheat exports are expected to recover somewhat from fiscal 1977's reduced volume. But this increase will probably be more than offset by a substantial drop in feed grain exports. Rice export volume is expected to remain near the fiscal 1977 volume.

With larger U.S. supplies and lower prices, soybean exports are likely to continue to expand in fiscal 1978. However, exports of meal and oil could drop.

Fiscal 1978 cotton exports are expected to total near fiscal 1977's estimated 1.1 million tons.

Tobacco exports are likely to decline somewhat in quantity.

Much uncertainty exists concerning the actual level of agricultural exports in fiscal 1978. The final outcome of the 1977 crops here and abroad

will have a strong influence on exports. Moreover, enactment of pending U.S. farm legislation could affect prices and export levels. Prospects for next year's crops will also influence import decisions during the final months of fiscal 1978.

Agricultural Imports Boom in Fiscal 1977

Fiscal 1977 U.S. agricultural imports are estimated near \$14 billion, up from \$10.5 billion in 1975/76 (table 8). Higher prices for coffee, cocoa, and tea are primarily responsible for the increase, as the total import volume is expected to rise only slightly.

Sugar imports will be up more than a tenth from 1975/76's reduced volume. Vegetable and fruit imports are also larger this year. Meat import volume may be down almost a tenth.

The value of agricultural imports is expected to remain near \$14 billion in fiscal 1978. Coffee and cocoa import values are likely to recede, while sugar and meat imports increase. (*Sally Breedlove Byrne: 202-447-8260*)

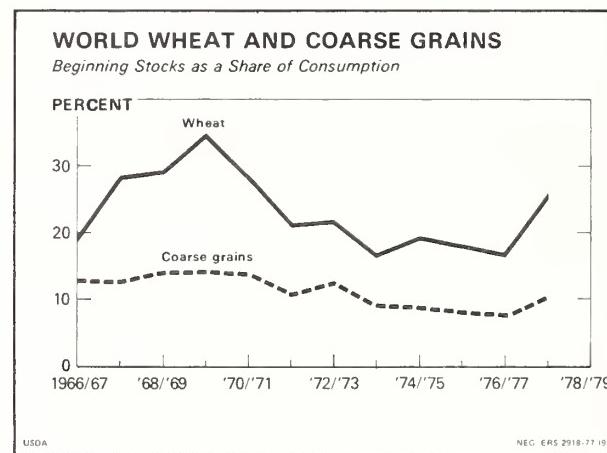
LARGE STOCKS AND LOW PRICES FOR GRAIN

Following 1976/77's record harvest, conditions now indicate that world grain production in 1977/78 will be down only slightly. With two consecutive good crops, the world grain situation can only be described as a buyer's market. Last year's good crops largely replenished stocks to levels commensurate with normal commercial trade, but this year's crops will push stocks still higher. Current forecasts are that wheat stocks have peaked and may decline somewhat in 1977/78, but carryover stocks of coarse grains are expected to be up substantially.

Large world grain crops and increases in stocks have contributed to declines in international market prices. The U.S. Gulf port price for wheat dropped more than 35 percent from June 1976 to June 1977. The decline for corn has not been as severe; export prices showed some strength in early 1977 before weakening on news of prospective larger crops. The relatively larger supplies of wheat have pushed its prices down to levels very competitive with usually lower priced corn. International rice prices, while showing more variability, have risen 10 percent from June 1976.

World Stocks

Beginning stocks of all grains for 1977/78 are estimated at 187 million tons, the highest level since 1970/71 and a 40-percent increase over 1976/77. These stocks represent less than 14 percent of current production. The stock buildup is concentrated in only a few countries, with the USSR, United States and Canada accounting for



almost all of the increase. Wheat represented about 70 percent of the stock buildup in 1976/77. In 1977/78 wheat stocks are expected to decline about 4 million tons while stocks of coarse grains increase about 180 million tons. Rice stocks are expected to fall 2 million tons to 15.6 million tons in 1977/78. Some alternative methods of measuring stock levels are presented in table 9.

Current estimates suggest that harvested area decreased 0.9 million hectares (less than 0.2 percent). In 1977/78, wheat harvested area dropped about 4 million hectares, coarse grain area rose 2.3 million hectares, and rice area rose about 1 million hectares. Average yields for wheat and coarse

grains may be down slightly, but current early-season estimates are that rice yields will be about the same.

Among U.S. competitors, area planted to wheat was down over 1.1 million hectares in Canada, 0.8 in the EC-9, and 0.6 in Argentina; all changes of roughly 10 percent. The USSR was up about 2.5 million hectares (4 percent) and Australia was up nearly 1 million hectares (10 percent).

For coarse grains, projected area harvested—360 million hectares—sets a new record, though yields are down somewhat. Canada, Australia, Argentina, and Thailand all increased their harvested area by 5 to 10 percent; yet with the exception of Australia, drought-related yield problems caused production to fall. Within Western Europe, the EC-9 increased its harvested area just under 1 million hectares.

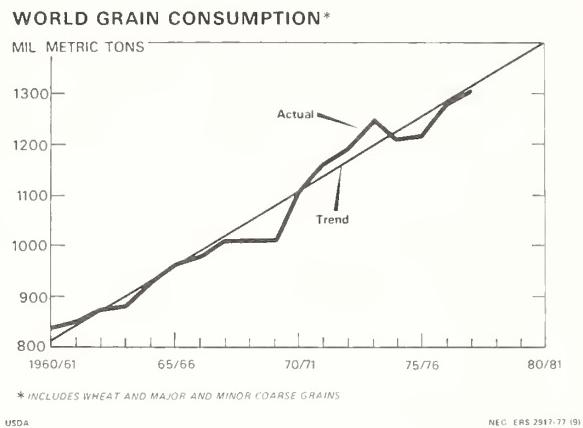
World Production

World production of wheat, coarse grains, and milled rice for 1977/78 is currently estimated at 1,322 million tons, a 11-million ton drop from the record level of 1976/77, but still the second largest on record and about on the trend of the last seventeen years (table 10). A 21-million-ton decline in wheat production from 1976/77's 418 million tons was seen in response to a sharp increase in stocks and declining prices (table 11).

World coarse grain production is now estimated at around 696 million tons—a new record—and milled rice is estimated at 235 million tons (tables 12 and 13). With an estimated 187 million tons of carryin stocks for 1977/78, availability for the marketing year should reach 1,505 million tons, a new record and a 40-million-ton increase over 1976/77 which was already 80 million tons above the previous record (table 14). Western Europe registered the strongest gain, with wheat and coarse grain production rebounding 12 million tons to 136 million. Wheat and coarse grain production by the major exporters (Canada, Argentina, and Australia) declined from 122 million tons in 1976/77 to 108 million tons in 1977/78, due mainly to dry conditions and to Argentine farmer dissatisfaction with wheat price relationships. U.S. wheat and coarse grain production of 254 million tons for 1977/78 would result in a record-high crop.

World Consumption

Preliminary estimates for 1977/78 indicate total grain consumption of 1,308 million tons, a 29-million-ton increase and the second straight year of record consumption (table 10). But the 1977/78 figure is the fourth consecutive year of consumption below the trend of the last 17 years. World feed use continues to rebound, and will probably reach a record of between 435 and 440 million tons (table 15).

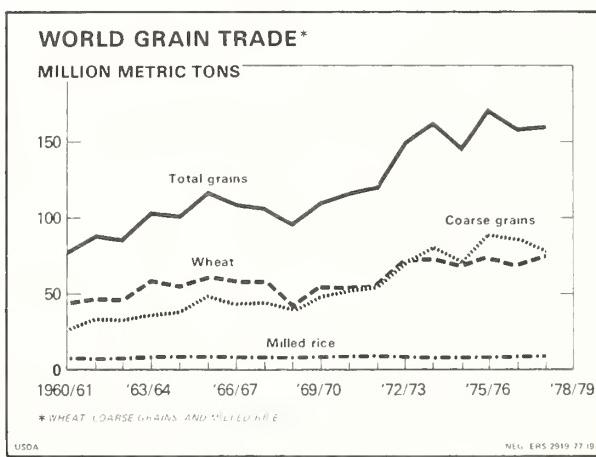


U.S. feeding should climb to about 125 million tons, but this would still be much below the average of the early 1970's. The increase in feed use seems widespread, with parts of Western Europe, Japan, and many of the developing countries all reaching record consumption levels. With wheat and corn prices still low due to large crops and heavy stock buildups, feed use can be expected to continue the relatively strong showing of the past 2 years.

World Trade

World wheat trade is now projected at 67.3 million tons, about equal to the record trade of 67.4 million tons in 1972/73 and up from the depressed level of 61.4 million tons last year. Coarse grain trade is estimated to decline 9 million tons to 73.6 million tons in 1977/78.

U.S. wheat exports should be somewhat larger than last year's, at 26.9 million tons, but still below the trend of the past 5 years. Increased U.S. wheat exports to North Africa and to West and East Asia should more than offset smaller shipments to India (only 200,000 tons) and the USSR.



Indian wheat imports are projected to fall to their lowest level of the past seventeen years because of a record buildup of stocks and a fairly strong 1977/78 crop. India's forecast wheat exports of 1.6 million tons includes repayment of a Soviet wheat loan, probably by shipments on Soviet account to Southeast Asia and other destinations.

As world trade in coarse grains declined from 82.6 million tons in 1976/77 to 73.6 million tons in 1977/78, the U.S. share fell from 51.8 million tons to 43.3 million tons. Strong gains were achieved by exports from Western Europe and South Africa, while those from Argentina, Thailand and the USSR declined. The projected decline in grain trade is almost entirely due to expectation of larger coarse grain and forage crops and increased wheat feeding in Western Europe.

Per Capita Production and Utilization

Per capita total grain output for 1977/78 will decline from last year's record level, the strongest since 1973/74, to a level below the trend of the 1950's and 1960's. The bulk of the decline is concentrated in the developing countries. Drought damaged crops in parts of Southeast Asia, Africa (Algeria, Morocco, Tunisia), and Latin America (Argentina, Bolivia, Peru) all contribute to the decline, despite record area harvested for the developing countries as a whole.

World per capita grain utilization is projected to drop in 1977/78, despite increasing total con-

sumption. Annual population and income growth generates about 30 million tons of added grain demand each year. While improving, developed countries in particular have failed to return to the levels of the early 1970's. Per capita utilization in the centrally planned countries may drop slightly in 1977/78, yet will still remain the generally strong range of the last 5 years. Per capita utilization trend growth in the developing countries is small, and this year's decline returns them to the 190-kilogram per-capita level first reached in 1970.

Policy Changes

In an attempt to deal with the problems of declining farm prices and stock buildup, the U.S. government proposed a set aside program for 1978 that could reduce total U.S. wheat acreage and production, and a new grain reserve program (see section on "World Food and Trade Policy Developments").

In the EC-9 and in some of the other Western European countries, target prices have been modified to discourage production and encourage feeding of soft wheat, largely by keeping prices for soft wheat near those for feed grains.

Argentina has announced plans to support farm level grain prices at 85 percent of the average f.o.b. value for that grain. Government policies in recent years had kept the farm price to well below the 50-percent mark. The 10-percent export tax on coarse grains will also be removed for the 1978 crop, making coarse grains more competitive with wheat (*Arthur Coffing and John Sullivan: 202-447-9161*).

SUPPLIES AND CONSUMPTION OF VEGETABLE OIL AND MEAL TO RISE IN 1978

World production of oilmeals and fishmeal (44-percent soybean meal equivalent basis) in 1977 fell 8 percent from 1976 levels, declining from 72.9 million tons to 66.7 million tons. The sharply smaller 1976/77 U.S. soybean crop was largely responsible, falling 5.8 million tons to 25.7 million. Indian peanut production was down, while Nigerian peanut and Soviet sunflower production stayed near the low levels of the previous year. In recent months, the estimate of the 1977 Peruvian anchovy catch has been lowered from 3.9 to 1.5 million tons.

In 1978 the tight supply of oilmeals is expected to ease; world production of oilmeals is forecast at 78.2 million tons, a 17-percent gain. This increase is the result of the expected large growth in U.S. soybean production to 33.4 million tons (44-percent soybean meal equivalent), continued soybean expansion in Brazil to 12.8 million tons (bean basis), a 77-percent recovery in Canadian rapeseed production, and a large increase in the USSR sunflower crop.

Edible Vegetable Oil Production

Production of edible vegetable oils for 1977 is forecast at 31.4 million tons (table 16), a 1.8-million-ton decline from 1976. The oilseed production shortfalls discussed above were responsible for the decline. Production gains elsewhere, such as the 1.2-million-ton increase in the spring 1977 Brazilian soybean crop to 12 million tons (bean basis) and increases by the West Malaysian palm oil industry, moderated the production shortfalls. For 1978, the expected 30-percent increase in U.S. soybean production and continued increases in Brazilian and Argentina soybean production should increase edible vegetable oil production nearly 14 percent to 35.7 million tons.

Despite the production decline, consumption of edible vegetable oils for 1977 is estimated at 32.6 million tons, 1.3 million tons above 1976. The forecast gain in world consumption occurs in the centrally planned and developing countries, especially

central Africa and South and East Asia. This implies a reduction of world stocks of edible vegetable oils in 1977, with the United States bearing the brunt of both the stock and consumption adjustments.

Another rise in oil consumption to 35.1 million tons is forecast for 1978, with a strong increase in the developing countries of 6 percent. The developed countries' consumption is forecast to rise about 1.3 million tons, with that of the United States increasing slightly. The projected increase in world consumption of 2.5 million tons in 1978 is 1.8 million tons less than the 4.3-million-ton gain in production, indicating a 600,000-ton rebuilding of world edible vegetable oil stocks in 1978.

Prices

Thus far, 1977 has been a year of extreme price volatility in the world oilseeds complex. During the spring of 1977, oilseeds, meal, and oil prices rose

sharply to ration short supplies of protein meals and vegetable oils (table 17). The peak prices occurred in late April and early May. Thereafter, sharp price declines occurred, especially for soybeans and soybean products. The average price for U.S. soybeans, c.i.f. Rotterdam, for April was \$384 per metric ton. By August, the 3-week average price had fallen 39 percent to \$234 per metric ton. Prices for other oilseeds and products followed roughly the same pattern.

While supplies of both protein meals and vegetable oils appeared to remain tight in 1976/77, anticipation of the large U.S. harvest is probably responsible for most of the decline in soybean and product prices. In addition, Brazil's elimination in August 1977 of the tax on soybean exports and the subsidy paid to processors for domestically marketed soybean meal and soybean oil should increase Brazilian exports to the world market and tend to lower world prices. (*Philip Paarlberg: 202-447-9160*)

NO GROWTH IN WORLD MEAT PRODUCTION IN 1977

Meat production in 1977, in the world's principal commercial regions—the United States, Canada, the EC, and Japan—is expected to hold at the record level of 46 million tons. Larger pork and poultry output will fully compensate for declines in beef. Net imports of meat into these regions will also stagnate, or even decline somewhat. With herd liquidations in process and potential output overhanging markets in exporting regions, low world producer prices show no basis for rising.

The *United States* is in the herd liquidation phase of the cattle cycle, and herd reductions are expected to continue into 1978. Lower feed prices are encouraging larger output of fed beef, pork, and broilers. But total beef output is likely to be down 2 to 3 percent in 1977 because of a drop in nonfed beef production. Projected cattle and calf slaughter would exceed the calf crop for the second consecutive year since 1947. Rising pork and poultry production is expected to fully offset the drop in beef in 1977 and continue rising into 1978. Combined red meat and poultry production will hold steady through 1977 and seasonally into 1978. Strengthening beef prices with declining pork and broiler prices are expected into 1978.

The *European Community* is expected to continue importing beef into 1978 at the annual net rate of 300,000 tons or less. EC herds are rebuilding, but the drop in beef production implied is offset to an uncertain degree by culling related to drought and EC dairy policies. Measures adopted to cause a reduction in dairy surpluses include (1) heavier culling from dairy herds, (2) encouraging conversion of dairy to beef herds, (3) premiums which encourage feeding milk to livestock. With pork and poultry production rising and more than offsetting an expected reduction in beef output, meat supplies are large. With intervention

stocks over 250,000 tons product weight, EC markets are not likely to open significantly in the near future.

Japan continues with tight quantitative restrictions on imports of meat, reducing gradually the quotas in force. Import levels for 1977 are expected to reach about 140,000 tons (carcass weight), 10,000 above 1976. Japan has increased its reliance on the importation of live animals for slaughter.

The likely achievement of plan targets in the *USSR* in 1977 could bring a 9-percent increase in meat production to 14.5 million tons. USSR meat imports for 1977 will probably not differ much from the 1976 product-weight level of 359,000 tons.

Both Australia and Argentina are finding the *Middle East* to be an area of market diversification because of income growth from petroleum exports.

Marketing diversification by *Argentina* in Europe, the Americas, and the Middle East after the nearly complete loss of the EC market, has brought exports back to the more normal level of about 530,000 for 1977.

During the first half of 1977, U.S. beef imports from *Australia* fell well below 1976 levels. Should Australia not fill its Voluntary Restraint Agreement to supply 296,000 metric tons, the Australian authorities announced in August that exporters not using their 1977 authorizations would have their future allocations reduced. While beef output rose 12 percent in 1976, the first year-to-year decline in cattle numbers since 1965 occurred. In 1977, beef output is expected to rise further to 2 million tons, and exports to reach 1 million tons of beef (carcass weight), compared with 860,000 tons in 1976. (*Donald W. Regier: 202-447-9160*)

MILK: SURPLUS IN DEVELOPED AND DEFICIT IN DEVELOPING COUNTRIES

World milk production, for 36 major countries, is expected to increase 2 percent over 1976's 387 million metric tons. The Soviet Union, the European Community (EC), and the United States are the primary sources of growth. Australia, Canada, Switzerland and Austria are making major efforts to cut output. The EC is implementing policies to alter the structure of their dairy economy. The programs focus on premiums for not marketing milk, for converting herds from dairy to beef, and on a producer coresponsibility levy. The composition of dairy stocks is changing. EC livestock feeding subsidies, food aid, and New Zealand's diversion of skim milk into casein production have slowed the growth of nonfat dry milk (NFDM) stocks. Butter stocks, however, are estimated to be up 24 percent over 1976. The EC has begun subsidizing consumer sales to increase butter consumption. Though experiencing major production increases, the USSR is expected to import 6 times previous levels of butter.

The dairy economy in developing countries is one of deficit production; low output is due not so much to low animal numbers, but to low yields. India, with half the earth's cattle population, has an average yield of 1.5 pounds of milk per day. Investment in genetic improvement of yields has not been made because of the human competition for land and crops. Where land has been available, the seasonality of crops has often made it difficult to insure adequate quality forage throughout the year. Marketing inefficiencies and the perishability of milk have limited the consumer market where

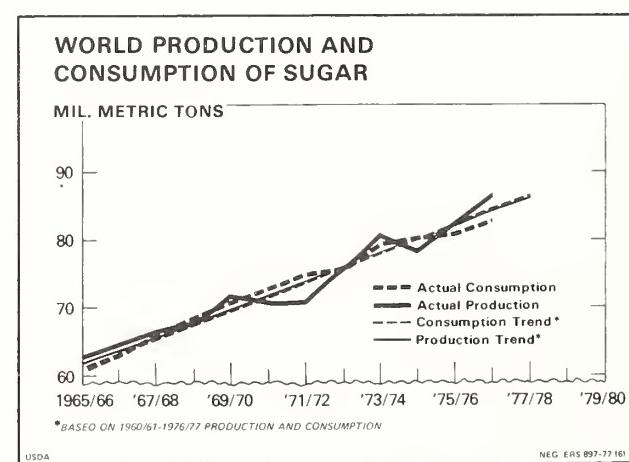
year-round pastures are available. Government pricing policies often hold down producer prices in favor of consumers. A recent study in Ecuador showed that the high costs of inputs, especially fertilizer, machinery and prepared feeds, left the farmer with gross returns ranging from 4.2 U.S. cents per litre to a loss of 5.1 cents. Low administered producer prices have led Argentine farmers to divert milk from fluid use to manufacturing uses to take advantage of the government favored export market resulting in imports of 5,000 tons of NFDM to be reconstituted for fluid uses.

In other developing countries, especially in the oil-rich ones, investment in milk processing plants are being made to extend the consumer market and supply of fluid milk throughout the year and to process imported dry milk to meet domestic deficits. Venezuela has relaxed its dairy import restrictions and is using its reconstituted milk in an extensive school lunch program, as is Iran, which is purchasing approximately \$2 million of NFDM from New Zealand. Less wealthy nations may also purchase more NFDM when subsidies are available, such as those from the EC. A second form of investment is the purchase of high yielding dairy cattle from developed countries, particularly the United States. The Latin countries of North America are the largest regional purchasers of U.S. dairy cattle for breeding. Shipments of dairy stock are also growing in the Middle East and Asia, accounting for 17 percent of U.S. 1976 cattle exports. (*Howard Conley: 202-447-8646*)

LARGER SUGAR STOCKS FORTHCOMING

Prospective 1977/78 world sugar production is estimated within a range of 87 to 91 million tons (raw value); at the upper limit this would mean as much as a 5 percent increase over the 1976/77 season ended August 31. The 1976/77 production growth was 5 percent (table 18). Even at the lower end of the production forecast, the surplus over consumption (estimated at 85 million tons) would still be sizable.

The world price of sugar (stowed at greater Caribbean ports including Brazil) momentarily strengthened in early 1977 as the USSR and PRC made large purchases; then prices returned along the trend of decline experienced over the past two seasons, in anticipation of a plentiful 1977/78 outturn and stock increments, and as uncertainty



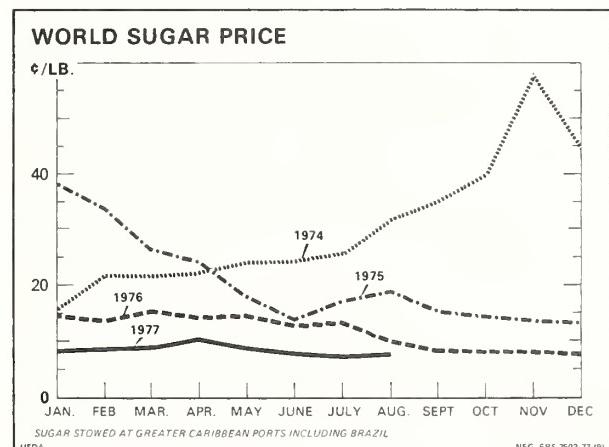
World centrifugal sugar production and consumption
and 1960/61-1976/77 linear trend

	Production		Consumption	
	Actual	Trend	Actual	Trend
Million metric tons				
1969/70-71/72 ...	71.0	73.9	72.8	71.7
1974/75	78.2	80.1	80.0	80.1
1975/76	82.4	82.2	80.8	82.3
1976/77	86.6	84.3	82.8	84.4
1977/78	¹ 87-91	86.3	¹ 85	86.5

¹ Forecast.

hung over the outcome of proposed U.S. sugar support measures and International Sugar Agreement negotiations. From about 10 cents a pound in April, the average world price for sugar has dropped to about 7.6 cents in early September.

Sugarbeet planted area in the EC for the



1977/78 season is 4 percent less than last year. However, prospective higher yields likely will result in production exceeding consumption by up to 1.65 million tons. With Lome Convention imports scheduled at 1.35 million, the EC surplus would range between 1½ and 3 million tons. The 1977/78 intervention (i.e., support) price has been set at 18.61 cents per pound, far above world sugar prices. Beet sugar production is anticipated up in France, West Germany, and the UK, while slightly less in Italy. In Eastern Europe, beet area is higher than in 1976. USSR planted area is above last year, and with good sugarbeet yields, and improved sucrose content and processing, beet sugar output could rise considerably. U.S. beet hectarage is down 16 percent and 1977/78 beet sugar production is ranged at 2.8 to 3.1 million tons.

Little change is expected in world sugar cane area, but a larger percent of ratooning is foreseen in 1977/78. Brazil's authorized cane sugar production for 1977/78 is 8.5 million tons (raw value), up about 1 million from last season when Brazil surpassed the USSR as the world's leading sugar producer. U.S. cane sugar production is figured at about 2½ million tons, so that U.S. output of both cane and beet sugar would total between 5.3 and 5.6 million tons. U.S. imports for calendar 1977 are forecast at 4.4 to 4.7 million tons from 4.3 million in 1976.

World sugar stocks at the start of the 1977/78 season are about 21 million tons, nearly equal to the 1971/72 level. With the further buildup in stocks, continued downward pressure on prices is foreseen over most of the current 1977/78 season. The low price prospect has added impetus for a new International Sugar Agreement with economic provisions. (Robert D. Barry: 202-447-9160)

LARGE COTTON CROP IN PROSPECT

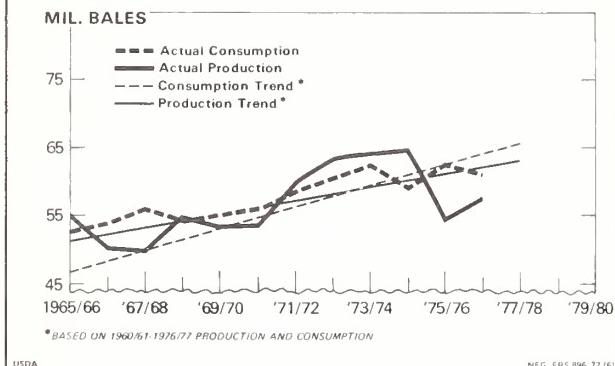
Production prospects for world cotton in 1977/78 point to a sharp increase about 10 percent, still below the 1974/75 record outturn. Consumption may rise moderately but additions to stocks are likely, after two successive years of substantial drawdowns (table 19). Between March and September 1977, the monthly average price of U.S. SML-1/l6-inch cotton (c.i.f. Northern Europe) dropped from 88 cents a pound to about 62 cents, reflecting the slowdown in textile demand and the favorable 1977/78 production outlook.

The predicted 1977/78 world output of 63.4 million bales, up more than 5 million bales (based on a 5 percent increase in cotton area), is led by an increase of over 2.5 million bales in the U.S. (based

on a 25 percent area increase). The forecast 24 percent U.S. expansion, about equal to last season's gain and the largest crop since 1972, would restore U.S. primacy in world production. Production outside the U.S. could rise about 6.6 percent but would still be below the 1974/75 record outturn of 52.8 million bales. The USSR crop being harvested 7 to 14 days early may be up some 300 thousand bales or 2½ percent; PRC output, affected by early poor weather, could be slightly less than last season.

Foreign non-Communist exporting countries may produce 12 percent more cotton than in 1976/77. Large predicted crop increases are: about 45 percent in Mexico, 13 percent in Central America, 35 percent in Colombia (to 800,000 bales), 25

WORLD PRODUCTION AND CONSUMPTION OF COTTON



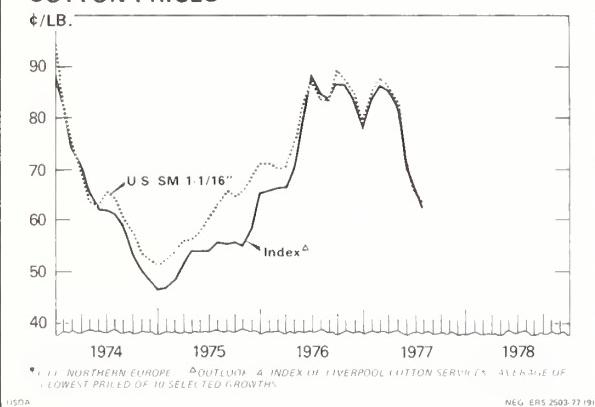
World cotton consumption is expected to be weak in the early part of the season, partly because of lower-than-expected economic growth. Given the modest expansion anticipated for industrialized economies in 1977/78, consumption may rise only half a million bales (about 1 percent). U.S. mill use is likely not to rise much, if at all. European mills have still not recovered from the 1974/75 textile recession. Japan's textile industry continues to face sluggish domestic economic growth, strong competition from cotton textile imports, and large textile stocks. Worldwide competition between cotton and man-made fibers (MMF) is abetted by continued rise in MMF production capacity despite much higher oil prices and variable costs since 1973. World MMF production capacity has risen about 35 percent since early 1974.

August 1, 1977 world cotton stocks are estimated at 19.2 million bales, lowest since 1962 and less than 4-months of textile mill requirements. World stocks may grow by about 2 million bales in 1977/78.

U.S. exports for 1977/78 are currently forecast at 4.6 million bales, plus or minus $\frac{1}{2}$ million (table 20). While more than 4 million bales have already been sold for 1977/78 delivery, U.S. sales have slackened in recent weeks.

Consideration is being given to the extension of the international Multi-Fiber Agreement which governs 90 percent of world textile trade. The agreement expires at the end of 1977. (Robert D. Barry: 202-447-9160)

COTTON PRICES*



percent in Turkey and over 30 percent in Pakistan. In India, higher support prices have stimulated increased area, and output may rise of 10 percent. The Sudan has reversed its policy of reducing area in cotton, but plantings are still below the 1970-74 average. Sudan's output is forecast at 800,000 bales. Lower world prices, higher cultivation costs, and strong competition from soybeans and wheat in south Brazil have reduced cotton area in south Brazil. Brazilian production may be down by as much as 10 percent.

World cotton production and consumption
and 1960/61-1976/77 linear trend

	Production		Consumption	
	Actual	Trend	Actual	Trend
Million 480-lb. bales				
1969/70-71/72 ...	55.5	56.9	56.4	57.0
1974/75	64.9	60.1	59.0	61.6
1975/76	54.2	61.1	62.3	62.8
1976/77	57.7	62.1	60.9	64.0
1977/78	¹ 63.5	63.1	¹ 61.5	65.1

¹ Forecast.

REGIONAL AGRICULTURAL DEVELOPMENTS

United States¹

The prospects of record crop production and larger grain stocks this fall continue to have an overriding influence on the agricultural outlook. Total crop production this year is expected to be about 2 percent larger than last year. Supplies of all major crops—including feed grains, soybeans, wheat, and cotton—are expected to exceed use causing a buildup in stocks.

Grain prices have weakened under the pressure of mounting supplies. Consequently, producers are placing a large amount of wheat under Government loan. Current indications are that corn producers will also use the loan program extensively this fall.

The farm bill was signed into law by the President on September 29. While the main purpose of the legislation is to authorize programs for the next 4 years, some revisions concern 1977 target prices and loan rates. Significant provisions for 1977 include raising the target price for wheat to \$2.90 a bushel and raising both the target and loan prices for corn to \$2.00 a bushel.

In late August, a 20-percent set-aside on the 1978 wheat crop was proposed by USDA. Also, a comprehensive plan has been proposed to place 30 to 35 million metric tons of food and feed grains in reserve prior to the beginning of the 1978/79 marketing year (see section on "World Food and Trade Policy Developments"). The plan includes a proposal to create a special International Emergency Food Reserve of up to 6 million tons. A feed grain set-aside decision will be made later.

Domestic and foreign demand for the large grain supplies during the 1977/78 marketing year are not expected to be sufficient to bolster sagging prices, particularly for wheat, corn, and other feed grains. Lower grain prices will likely encourage a pickup in domestic livestock and poultry feeding. However, export demand for U.S. feed grains may weaken because of larger world grain supplies and improved forage conditions in some countries.

Farm prices have dropped sharply in recent months primarily among crop products. Prices received by farmers in August were down a tenth from this May, and were 6 percent below a year earlier. While prices of livestock and products were fairly stable during the May-August period, crop prices fell almost a fifth.

Weaker crop prices point to declining income prospects for many farmers in the second half of

this year. Cash receipts for crops will be down sharply this fall in line with lower prices for grains, soybeans, and cotton. With livestock receipts holding up, lower feed prices are providing some increase in current income to livestock producers. Nevertheless, net farm income nationally will be down sharply in the last half. For all of 1977, realized net farm income will be down significantly from 1976's \$22 billion. However, total net farm income, which includes the value of inventory change, may be about the same as last year's \$20 billion.

Economic activity domestically continues to expand, but the rate of growth may be slowing. Real GNP from the first to the second quarter grew 6.1 percent at an annual rate, not as fast as earlier estimated. But real growth during the first half of 1977 was still exceptionally strong—averaging close to 7 percent. Consumer expenditures for food in the second quarter were up 9.5 percent over a year ago, or about 5 percent after adjusting for inflation.

Relatively stable food prices are in prospect for the remainder of 1977, in contrast to increases earlier in the year. Due largely to increases in the first half, grocery store prices for 1977 still appear likely to average around 6 percent above 1976. Over half of this increase likely will be due to coffee and other imported foods and fish. Retail prices of U.S.-produced farm foods may average less than 3 percent above 1976, due almost entirely to higher farm-retail price spreads. (Robert R. Miller, National Economic Analysis Division: 202-447-7330)

Other Developed Countries

Harvest Prospects Generally Good

In spite of adverse weather conditions in many sections of Western Europe, the region's crop prospects for 1977/78 are generally favorable. Total grain production is expected to rebound from last year's drought-related slump. Coarse grain output is likely to be approximately 13 million tons higher than in 1976/77 reaching 86 million tons, largely as a result of higher yields. The corn crop is expected to approach 20 million tons, paced by Italy's record 6 million ton output. Wheat is projected at 50 million tons, down slightly from last year. Heavy summer rains in France and other EC countries have affected the quality of the wheat crop and will reduce its protein content.

Poor spring weather caused a strong decline in the EC fruit crop; the apple harvest—at an estimated 5.2 million tons—is the poorest since 1964. Severe July storms in France and Spain caused

¹This section is based on a more detailed discussion of the U.S. agricultural situation published in *Agricultural Outlook*, AO-25, USDA, September 1977.

heavy damage to tobacco. EC raw sugar production could total about 11.5 million tons, which is considerably above last year's level. This and import commitments could leave the EC with a sugar surplus of up to 3 million tons.

In Australia, generally favorable planting conditions pushed the area in wheat and barley to a new record of 12.4 million hectares, with wheat accounting for most of the increase. Drought conditions developed later on, especially in New South Wales, but the current outlook for the wheat crop is for about 13 million tons, about 1 million tons above last year's total.

Canada's wheat harvest is estimated to have declined by nearly 26 percent from last year's record, to roughly 17.3 million tons, partly as a result of a 10-percent drop in planted area. The corn crop is also expected to be smaller, but not by such a large percentage. Much of the area in corn has suffered from lack of rainfall, uneven germination and ineffective weed control. Barley output, however, is at about last year's level of roughly 10.5 million tons. A heavy switch to rapeseed and flaxseed has occurred.

Livestock Outlook Uneven

The EC plan for the reduction of dairy surpluses (see WAS-13, July 1977 p. 21) may encourage increased slaughtering of dairy cows, especially in West Germany. Nevertheless, total EC domestic production of beef and veal is forecast to dip by about 4 percent in 1977, to approximately 6.2 million tons. A revival of confidence in the hog and poultry sectors is expected to increase production of pork and poultry meat by about 3 percent each in 1977. Egg output should be up by less than 1 percent in the EC as a whole, and by a sizable 5 percent in Spain.

Australian production of beef and veal may rise by 4 percent, to nearly 2 million tons. Optimism about future exports of beef to the USSR appears to be holding up the price of Australian feeder cattle, while uncertain export prospects have caused weaker prices in sheep for stocking. Mutton and lamb production is expected to drop by one-tenth, partly because of larger exports of live sheep.

Increases in Canada's pork and poultry production should more than offset an anticipated slight decline in beef. Canada's total meat output should reach 2.2 million tons in 1977.

In Japan, increases are anticipated for all types of meat, and combined output may reach 2.3 million tons.

Milk output is expected to edge up in 1977 in both Western Europe and New Zealand. In spite of EC efforts to reduce its milk surplus, excess supplies remain a major problem. Between July 1 and July 15, the EC's intervention stocks of nonfat dry

milk (NFDM) increased by 22,000 tons to 992,000 tons. Butter placed in both public and private storage rose by 33,000 tons to total nearly 336,000 tons. France and West Germany account for most dairy intervention stocks.

Recent Policy Actions

The alignment of the common external tariff of all the EC members was completed on July 1, but agricultural support prices will not become fully uniform until January 1, 1978. The process of dismantling tariffs on virtually all industrial products and on the industrial component of processed farm goods in trade between the EC and the European Free Trade Association was also completed on July 1. Also on that date the EC took another major step toward the full implementation of its preferential Mediterranean policy by extending new trade concessions—including tariff reductions on a number of farm products—to several Arab nations as well as Israel.

On July 28 Spain applied for membership in the EC. Negotiations, like those with Greece (already underway) and Portugal, are expected to be drawn out, partly because France and Italy are reluctant to extend the EC's Common Agricultural Policy in its present form to more Mediterranean countries.

In other policy developments, the EC has given final approval to its 1977 food aid program for NFDM and butter oil. Amounts approved are 105,000 tons and 45,000 tons, respectively.

EC feeders and feed manufacturers in general have opposed the EC decision to pay new subsidies for the use of liquid skim milk for hog feed and for NFDM not yet held in intervention. Internal opposition to the EC scheme for virtually compulsory incorporation of NFDM in animal rations was a significant factor in the EC's decision to end that program. This scheme, which displaced an estimated 350,000 tons of soybean meal, was retroactively declared not valid by the EC Court of Justice.

Although Japan has a rice surplus, in late July the Government announced that the support price for the 1977 rice crop would be increased 4.6 percent to nearly 289,000 yen per ton, and that the average resale price would be increased by 9.8 percent. Japan continues to encourage the use of rice by keeping the price of wheat high relative to rice and by encouraging rice consumption through a school lunch program and the blending of rice flour with wheat flour for baking.

On August 10 Japan decided to lift the ban on imports of U.S. cherries, as it became convinced that the codling moth can be effectively controlled. The date at which U.S. cherries will be allowed into the country has not yet been set. In a few

years this could develop into a \$1- to \$2- million market for U.S. exporters.

The Canadian Government has approved in principle the creation of a Canadian National Chicken Broiler Marketing Agency, similar in scope to the agencies for eggs and turkeys. The new agency would have authority to establish national and provincial quotas for broiler production. Actions of all these supply-management organizations result in indirect constraints on imports from the U.S.

U.S. Agricultural Exports

Largely due to a sharp rise in the volume of feedgrains and stronger prices of oilcake, oilmeal, and soybeans, U.S. exports to Western Europe are estimated at \$8.6 billion in fiscal 1977, about 18 percent over fiscal 1976. Cotton, fruits, and animal products shared in the increase, along with feed-stuffs. The market for U.S. tobacco in Western Europe has remained steady, but high internal taxes, anti-smoking campaigns, and strong foreign competition have inhibited greater demand.

U.S. wheat and flour exports to Japan in the first half of 1977 were down 9 percent from the same period a year earlier. Corn exports are expected to be 8 million tons by the end of this calendar year, with total U.S. feedgrain exports to Japan reaching about 10 million tons. (*Omoro Sabatini and Marshall H. Cohen: 202-447-8054*)

USSR

The Soviet Union this year experienced a second relatively favorable growing season in a row. However, moisture supplies were somewhat excessive over much of European USSR, but were rather limited in Asiatic USSR (from the Volga River eastward) until harvesting started.

Weather in the Asiatic USSR, as well as in the European USSR, has been cool and rainy since mid-August. Late crops and harvesting in both areas would benefit from warm, sunny weather.

The Soviets achieved satisfactory progress in grain harvesting this year in spite of the rainy weather. However, the picking up of the cut-down grain from the windrows during July was delayed somewhat and some deterioration in the quality of the grain probably occurred. Better harvesting weather in European USSR and early ripening of the grain in Asiatic USSR resulted in good harvesting progress, and, by late August, harvesting was running well ahead of that achieved in any other recent year. Also, the area of grain in windrows was reduced to near average. Harvesting this

year should be completed earlier than usual unless the weather in Asiatic USSR is abnormally wet and cold.

A record grain harvest is possible, but not likely, in the Soviet Union this year. A bumper crop of 220 million tons is currently forecast by USDA, including 100 million of wheat and 105 million of coarse grains. A grain crop of this size would be only 2-4 million tons short of the record harvests in 1973 and 1976 and would exceed the planned harvest for 1977 by about 7 million tons. However, moisture and trash in the 1977 crop is estimated to be 15 percent, compared to the historical average of 10 percent. The grain area in 1977 was about a million hectares larger than in 1975 and 1976.

As of September 14, 1977, Soviet purchases of U.S. grain for delivery during October 1977-September 1978 exceeded 2 million tons.

Prospects for crops other than grain in 1977 are also generally favorable. Crops of sunflowerseeds and sugarbeets that are some 10 to 15 percent better than average currently seem most likely. However, a continuation of the recent cold, rainy weather in European USSR could adversely affect the size and quality of the sunflowerseed and sugarbeet crops as in 1976. Also, a record cotton harvest now seems in prospect in spite of heavy rains and flooding earlier in the season. Earlier-than-usual maturing of the cotton this year should lessen the chances of damage from weather later in the season. Good progress is also being made in forage harvesting and near-record or record output of forage crops seem likely.

The favorable conditions and larger feed supplies were again reflected in increased livestock numbers, and also in gains in output of meat and dairy products. As of August 1, 1977 total cattle numbers on the socialized sector (state and collective farms and interfarm enterprises) were up 3 percent, cow numbers, 4 percent, and sheep and goats, up 2 percent from a year earlier. The largest gains continued to be made in poultry and hog numbers, which were up 19 and 13 percent, respectively, above the depressed year-earlier levels. Meat and milk output on the socialized sector during January-July rose 13 percent and 11 percent, respectively, above year-earlier levels.

Industrial output of meat during January-July was 11 percent larger than a year earlier due to continuing strong recoveries in June and July. Whole milk products increased 3 percent, and butter rose 17 percent.

All categories of livestock on January 1, 1978 are expected to show gains in numbers above a

year earlier. Outputs of meat, milk, and eggs are expected to reach, and most likely exceed, the 1977 planned levels. (*Fletcher Pope, Jr.: 202-447-8380*)

Eastern Europe²

Weather in 1977 has once again reduced promising crop prospects in northern Eastern Europe. Until late in July, the weather was generally good in most regions favoring grain ripening and early harvest. But small grain harvesting was delayed considerably and grain quality suffered in parts of Poland, German Democratic Republic (GDR), and Czechoslovakia in late July and August because of excessive rainfall and some flooding.

Conditions were particularly troublesome in Poland, where Polish officials have indicated that the grain yield will fall below the 1976 level. The rapeseed and potato harvest outlook is also poor.

The estimated total sown grain area in Eastern Europe, at 29 million hectares, is about the same as last year's level, while the estimated production of 93 million tons is just under a year ago. Although grain output in Czechoslovakia and GDR is expected to be moderately above a year ago, it will still fall short of the planned level, and the highs attained in 1974. The level of Poland's grain output is highly uncertain, but is expected to approach last year's level of 20.8 million tons, compared with 22 million tons anticipated earlier. Good harvests are expected in the southern countries.

Based on a significant expansion in sunflower planting in Yugoslavia and anticipated higher yield this season, as well as Romania's expansion in soybean sowing, prospects point to an increase in oilseed output in the southern countries. In contrast, adverse weather in the three northern countries likely reduced the rapeseed harvest. Although the area planted to sugarbeets this year increased about 5 percent in Eastern Europe to nearly 1.7 million hectares, harvest prospects are not encouraging in the north.

While supplies of grains are expected to be adequate for domestic food use, the unstable weather jeopardized feed supplies for livestock in the northern countries. However, increased production of forage crops is a bright spot this season in the livestock-feed complex. The 1976 drought resulted in a serious shortage of forage crops in these countries and in an earlier-than-normal switch from roughage to concentrate feeding. Consequently, grain imports by the East European countries were above normal during 1976/77 (July-June), reaching

14.8 million tons. The increased production of forage crops this year should reduce the pressure somewhat on grain and protein feed supplies in affected countries. While Poland's grain imports during 1977/78 may remain at year-earlier levels of nearly six million tons to support the rebuilding of livestock herds, total grain imports into Eastern Europe are expected to drop to about 12 million tons.

With producers attempting to rebuild herds, domestic marketings of livestock during the first 6 months of 1977 were down moderately from year-earlier levels, particularly in Poland and the GDR. To avoid severe shortages of red meat, domestic supplies are being supplemented with imports, particularly beef from Australia. (*Andrew A. Duymovic: 202-447-8380*)

People's Republic of China

Prospects in 1977 for PRC total grain production to significantly surpass that of last year have been dimmed somewhat by the outcome of the early grain harvest. (Generally, the early harvested grains are those harvested before August 8 each year, including winter wheat, barley, other overwintering crops, spring wheat, spring corn and early rice.) Severe drought from winter 1976 to early spring 1977 in the North China Plain and South China damaged the winter crops (mainly winter wheat and barley) and early rice in many areas beyond complete recovery despite sufficient precipitation coming in April and thereafter.

Overall growing conditions are favorable for the late-harvested grains because of normal to above-normal rainfall from May through August, although there may have been some localized flooding or waterlogging. However, the 1977 late-harvested grains need to be substantially better than in 1976 in order to lift this year's total grain production significantly over 1976's 267 million tons.

An analysis of provincial reports suggests that winter wheat suffered a loss which even a much improved spring wheat crop did not offset. Total 1977 wheat production in China is estimated at 40 million tons, 7 percent below the record 1976 harvest. This coincides with PRC provincial reports comparing this year's wheat output with that of 1975.

Reports indicate that China reaped a bumper harvest of early rice in 1977 on about 13 million hectares with total production reaching the historical record. However, preliminary reports revealed that Kwangtung, the largest early rice producer, harvested a crop only equal to last year's poor crop, mainly because of drought conditions in its southern portion throughout the spring and summer. Among other major producers, Kiangsu and

²Northern countries: Czechoslovakia, German Democratic Republic, and Poland. Southern countries: Bulgaria, Hungary, Romania, and Yugoslavia.

Anhwei did not report, but Kwangsi, Kiangsi, Chekiang, Hunan and Hupeh reported bumper harvests, but failed to indicate the size of the increase. Therefore, the increase in the 1977 early rice crop on a slightly expanded area is estimated to be minimal. Both the increase in early rice and spring wheat are not sufficient to make up for the larger loss in winter crops, especially winter wheat and barley.

Late rice transplanting seems to have proceeded on time. Precipitation from June through August in major areas for miscellaneous grains was normal to above normal in the North China Plain and the Northeast, although excessive rainfall in the North China Plains could cause localized damage. Prospects for a bumper harvest of late rice and miscellaneous grains appear good.

Uncertainty about this year's harvest, combined with concern on the part of the new leadership with maintaining consumption levels, seems the most likely reason for the purchase, announced July 4, of an additional 3 million tons of Australian wheat. This purchase, for delivery between August 1977 and August 1978, raises the total amount bought since November 1976 to 11.7 million tons. Probable deliveries of grain (all wheat) in calendar 1977 are expected to total about 7 million tons. Roughly 9 million tons will be delivered during the July 1977 to June 1978 period, a record level of total grain imports.

Other PRC agricultural imports have also increased this year. Sugar imports are up significantly above levels of recent years. China's cotton imports in 1977/78 should rise, perhaps substantially, over the 600-700,000 bale per year level of recent years. Sales of U.S. cotton for 1977/78 now total 183,000 bales. Depending on the size of total PRC imports, this figure could rise further.

PRC soybean exports will continue at depressed levels and may not exceed 150,000 tons during calendar 1977. Rice exports have dropped sharply and may fall as low as 500,000 tons this year. (*Charles Y. Liu and Frederic M. Surls: 202-447-8380*)

Asia

U.S. agricultural exports to developing Asia are expected to reach \$3.7 billion in fiscal 1977—up from \$3.2 billion last year. Strong gains in exports to South Korea, Taiwan, and Hong Kong will more than offset the decline in grain shipments to India and Bangladesh. Cotton will surpass wheat to become the leading farm commodity in U.S. exports to developing Asia this year. Exports of U.S. soybeans, soybean oil, tobacco, and cattle hides to Asian markets are also increasing markedly.

With above-average monsoon rains and adequate fertilizer supplies, the Government of Pa-

kistan has set a 1977/78 rice production target of 2.9 million tons, compared with 2.5 million tons harvested in 1976/77. If adequate water supplies continue, the Government's estimated 1978 wheat harvest of 9.7 million tons (8.9 million-ton harvest in 1977) should be realized. The Tarbela Dam, severely damaged by mechanical failure in 1974, is now partially open for irrigation, and an additional 900,000 hectares may be irrigated within a year.

February-April 1977 rains in *Afghanistan* were below normal, resulting in a below-average wheat harvest of about 2.3 million tons. Afghanistan expects to import about 200,000 to 300,000 tons of wheat in the next 6 months, mostly under P.L. 480.

Monsoon rainfall was plentiful and well distributed in *India* from late June through early August, but inadequate rainfall in late August caused some reduction in optimism, making September rains a major factor in determining the level of 1977/78 food grain and peanut production. Estimates for 1977/78 food grain production range from 112 to 118 million tons, above the 1976/77 harvest of 109 million tons but below the peak of 121 million tons harvested in 1975/76.

Sri Lanka harvested a bumper Maha (first) rice crop (830,000 tons) during April-May 1977 and expects an above-average Yala (second) rice crop (485,000 tons) due to good weather in May. As a result, Sri Lanka's 1977/78 rice imports may decline to 300,000 tons from 425,000 tons imported in 1976/77.

The food situation in *Bangladesh* has been stable so far this year. Harvests were normal, and sizable U.S. and Canadian concessional imports of food grain are entering the country. The Bangladesh Government also continues to purchase rice from Burma and Thailand and wheat from Australia to build up reserve grain stocks despite concern by some observers about possible spoilage problems. Stocks may reach 1 million tons by the end of December 1977—a time when the Government needs considerable storage space for its Aman crop purchases.

The *Burmese* Government's rice targets for 1977/78 are 5.2 million hectares and 6.3 million tons, compared with a 1976/77 harvest of 6.1 million tons; monsoon rains gave the paddy crop a good start. The Ministry of Trade reports rice exports of 663,000 tons for fiscal 1977 (April-March) and a target of 800,000 tons for fiscal 1978.

Monsoon rains in *Thailand* were widespread in August, but localized drought in the Northeast reduced the 1977/78 corn crop 30 percent below 1976/77 to an estimated 2 million tons. Cultivation of the more drought-tolerant cassava increased in the Northeast, with 1977/78 production estimated at a record high 5 million tons. Rice exports for

January-July 1977 totaled 1.8 million tons, compared with 1 million for the same period in 1976. The government is attempting to decrease rice exports and thus prevent declining stocks from leading to local price inflation. Nevertheless, 1977 rice exports are still expected to reach 2.2 million tons, although some rice from the November harvest may be required to fill commitments.

Malaysia's palm oil production for the first 5 months of 1977 was about 620,000 tons—some 23 percent higher than the comparable output for 1976. Palm oil exports showed a parallel increase with a higher percentage exported as processed rather than crude palm oil.

Drought and pest problems have plagued *Indonesia's* rice crop for the third consecutive year. It now appears that 1977 output will be marginally above last year's 15.7-million-ton harvest, but far below previous expectations. Rice imports for 1977/78 (April-March) are planned at 1.8 million tons, with principal suppliers being Thailand (600,000 tons), the United States (425,000 tons), Taiwan (200,000 tons), and the PRC (135,000 tons).

In the *Philippines*, favorable weather for the third consecutive year will likely result in record rice and corn crops in late 1977. Only small amounts of donated rice were imported during 1976/77. Corn imports were 141,000 tons in 1976/77 and are likely to continue to increase because of expanding swine and poultry enterprises. Wheat imports reached 775,000 tons and continue to grow 4 to 5 percent annually. Philippine sugar exports have slowed in recent months. Deliveries have been completed to the Soviet Union, and shipments to the United States under the Great Western contract have been delayed pending renegotiation.

Taiwan suffered severe typhoon damage in July 1977. Property losses were heavy, many factories closed temporarily, and thousands of hectares of banana plantations and other fruit orchards were destroyed. Rice exports for 1977 are expected to be about 350,000 tons. Taiwan has already sold 100,000 tons to Indonesia and is negotiating the sale of an additional 100,000 tons to reduce its surplus. If the projected 2.5-million-ton 1977 crop is achieved, storage will continue to be a problem, intensified by increased grain imports in 1977.

South Korea is likely to become a \$1-billion market for U.S. farm products this year—up from \$830 million last year. Severe winter weather reduced Korea's 1977 barley crop by about 50 percent. This caused Korean imports of wheat and barley this year to rise above earlier expectations. Korea is producing more textiles, leather products, and other manufactured items for export, and thus will need more imported raw materials from the United States. (*Asia Program Area: 202-447-8106*)

Africa and West Asia

North Africa

An unusually dry spring in 1977 cut wheat and barley production in Morocco, Algeria, and Tunisia to roughly half of normal. Thus, total Maghreb wheat imports may exceed 4 million tons in 1977/78, 1.5 million tons more than in 1976/77.

Egypt.—In 1977, agricultural production in Egypt will rise, but by less than the Government had planned. The cotton crop, despite heavy insect damage, will be greater than in 1976 because of increased area planted. Wheat and corn production is down in 1977 because of smaller acreage. Egypt's total grain production in 1977 is estimated at 6.7 million tons (including rice)—down 6 percent from 1976.

Morocco.—The 1977 wheat harvest in Morocco was slightly more than 1 million tons, only about half that in 1976. Morocco will require imports of at least 1.6 million tons, mostly bread wheat, but also some durum, in 1977/78 (compared to 1 million tons in 1976/77). The amount of grain imported will be limited by port capacity. Poor results for barley and corn may necessitate coarse grain imports, but these probably won't exceed 50,000 tons.

Algeria.—Wheat import requirements will be in the 1.2 to 1.5 million ton range in 1977/78, substantially higher than the 1976/77 total of 750,000. A large part of this will probably be durum. Algeria has wheat import agreements with both Argentina and Canada, but at least 500,000 tons may come from the United States.

Tunisia.—The 1977 wheat crop of 550,000 tons in Tunisia was about 60 percent of the 1976 level; this will require imports of more than 700,000 tons, more than twice the normal level. The United States may supply as much as 300,000 tons; Turkey will supply about 200,000 tons. Tunisia will also require about 200,000 tons of corn and/or barley.

West Africa

Possibly because of the great extent and intensity of the drought of 1968-74, public interest still lingers in the food situation in the Sahel region of west Africa. (The Sahel is poorly defined geographically but is generally considered to include Chad, Niger, Upper Volta, Mali, Mauritania, Senegal, and The Gambia.) Food shortages persisted in 1977 in parts of the Sahel.

As of mid-August 1977, thunderstorms were occurring almost daily in Niger and Chad (in the Sahel) and in Cameroon and the Central African Empire (outside the Sahel). Below-normal rainfall occurred this year in Upper Volta (in the Sahel)

and in Ghana, Togo, and Benin (south of the Sahel). Several African countries (including Chad, Mauritania, and The Gambia) were still suffering in 1977 from food deficits caused by deficient rainfall in 1976 and earlier years and were receiving grants of grains and other foods, mostly from overseas. Severe drought is causing serious problems for the food supply in Senegal.

The food situation in Niger and Mali is considered satisfactory.

South Africa

South Africa's 1977 corn crop is estimated at 9.5 million tons. Exports for the marketing year are estimated at 2.9 million tons. Both production and exports are slightly above the average for the three previous years. During 1976/77, Venezuela became a big buyer of South African white corn, taking about 408,000 tons. Japan, Venezuela, and Taiwan together accounted for 83 percent of South Africa's total corn exports last year.

South Africa's 1977/78 (October-September) wheat crop is expected to be down sharply from the alltime record of 2.3 million tons during 1976/77, to about 1.5 million tons. Reasons include poor weather in recent months, and reduced plantings due to a special levy, since June 1, 1977, of \$26.50 per metric ton on producers, to cover export losses. With domestic consumption at nearly the 1.8-million-ton level, no exports are expected during 1977/78.

West Asia

Syria.—Dry weather greatly reduced Syria's agricultural production in 1977. The wheat harvest was at least a third below the 1976 crop of 1.5 million tons. But the Syrian cotton and corn crops are showing a gain. Corn has not been an important grain crop in the past, but production is being encouraged.

This year's crop of lentils is a third below the record 1976 output, and the production of chick-peas, a big item in the domestic diet, is the lowest in 10 years.

Other unirrigated crops and pastures suffered from the drought which, in turn, had its impact on the livestock sector.

Iran.—For 1977, Iran's wheat production is estimated at 5.0 million tons, down 9 percent from last year's record. Barley production is down 4 percent. Rice production at 900,000 tons (milled) is 6 percent higher than last year.

With total agricultural production down this year and demand up, agricultural imports are expected to rise to around \$2.5 billion. The United States' share should be between 20 and 25 percent.

Turkey.—Excellent weather, combined with

improved cultural practices, especially greater use of fertilizer, has given Turkey a third consecutive record wheat crop. Turkey has exported 1.5 million tons this year, and more is available. Turkey's wheat carryover may total 5.5 million tons by the beginning of the next crop.

Israel.—Wheat output in 1977 is estimated to be up 13 percent to 230,000 tons. Wheat imports, which were a record 492,000 tons in 1975/76 due to a short 1975 crop, are expected to return to normal levels of around 410,000 tons in 1977/78. Feedgrain imports in 1977/78 are expected to decrease slightly because of surplus livestock products.

Jordan.—Wheat output was again devastated by drought and Jordan will require large wheat imports in order to meet food requirements. The 1977 drought was the third in a row. (*Africa and West Asia Program Area: 202-447-8966*)

Latin America

Agricultural prospects for 1977 in Latin America were greatly improved by March-May rains which relieved severe drought conditions through the Caribbean and the North Andean highlands. Wheat production is estimated down in Argentina and Mexico and rice harvests were reduced by dry weather in Brazil and Colombia. However, recovery is forecast for coffee, cotton, and feed grains, with further expansion for oilseeds, sugar, and other food crops. Total Latin America agricultural production is expected to exceed the 1976 record by about 5 percent, the strongest gain since 1974.

Agricultural trade continued to reflect serious balance-of-payments and inflation problems which encouraged efforts to stimulate exports and restrict imports in most countries. The January-July 1977 trade in coffee, cocoa beans, and meat fell below year-earlier volumes. Larger supplies stimulated strong expansion in grains, sugar, fruits, and vegetable exports, and high coffee prices helped maintain record earnings. A fall-off in imports of wheat and animal products was largely offset by increased volumes of feed grains, oilseeds, and vegetable oils. U.S. agricultural exports to Latin America for January-July rose slightly from \$1.17 billion in 1976 to \$1.22 billion in 1977, and U.S. agricultural imports rose sharply above the 1976 record of \$2.51 billion to \$3.77 billion.

Argentina expanded area of early 1977 grain and oilseed crops. Favorable weather contributed to recovery in corn (8.3 million tons), and a record sorghum crop (6.6 million tons). Oilseed production is estimated 30 percent above the 1976 record, paced by soybeans which nearly doubled the 1976 high of 695,000 tons. However, lower prices and dry weather encouraged a cutback in wheat plantings for the late 1977 wheat harvest, and output is

forecast down from last year's 11 million tons to 7.5 million tons. Argentina's livestock situation appears less favorable than a year earlier due to dry weather and reduced cattle numbers. Beef exports for 1977 are estimated near the 1976 level of 530,000 tons.

Brazil's 1976 rice crop was down sharply from the bumper 1976 harvest because of low prices and the February-March drought which also cut back bean production. However, corn and soybean production exceeded 1976 records despite some drought damage. Coffee recovered, increasing 84 percent to 1.02 million tons, and cotton production rose 43 percent above last year's low. Sugar output is forecast significantly above the 1976 high of 7.5 million tons. The forecast 3.3-million-ton 1977 late wheat harvest exceeds last year's record output.

Brazil's agricultural export earnings for January-June 1977 were up sharply from a year earlier; earnings from coffee, soybeans, and sugar were \$3.25 billion for the period and Brazil estimates total 1977 agricultural exports at \$8 billion, 33 percent above the 1976 record. Shipments of coffee were above year-earlier levels despite limited Brazilian supplies and reduced demand in the major importing countries that contributed to lower world coffee prices near midyear. Early-year exports of soybeans and soybean products were down, and Brazil currently holds larger-than-usual stocks. Wheat imports are expected to reach 3.1 million tons in 1977 down from about 3.5 million the previous year. January-June purchases from Argentina totalled 900,000 tons and Canada has orders for delivery of 480,000. Brazil is expected to import 150,000 tons of edible beans from Mexico in exchange for soybeans.

Mexico's wheat area was cut sharply and the recent harvest is estimated at 2.3 million tons, down from the 1976 record of nearly 3.4 million.

Shifts of irrigated wheat land contributed to a larger 1977 cotton crop, and to moderate recovery in soybean and safflower seed plantings. Export demand stimulated expansion in fruits and vegetables, and a substantial recovery is expected for rice. Moisture conditions have been favorable for pastures and planting of late crops, indicating a recovery in sorghum production and further expansion in corn and beans.

Mexico began contracting wheat purchases near midyear; anticipated imports of 800-900,000 tons during the coming year will add to current large purchases of feed grains, oilseeds, and fats and oils. However, the outlook for agricultural exports appears favorable, with earnings expected to significantly exceed the 1976 value of \$1.03 billion. Current trends are reflected in U.S. agricultural trade with Mexico for January-July; U.S. exports rose from \$221 million in 1976 to \$357 million in 1977 as U.S. imports expanded from \$445 million to \$752 million.

Central America agricultural output is estimated up sharply in 1977 based upon recovery of grains and other food crops from the 1976 drought. Export earnings through midyear 1977 maintained a sharp uptrend, and imports of grains and other food commodities rose moderately with higher volumes largely offset by lower prices.

In *other Latin America*, a general recovery is anticipated for agriculture through the Caribbean and north Andes in contrast to a decline in Uruguay. The 1976 drought generally reduced 1977 supplies of sugar, coffee, and other export commodities in Cuba, Colombia, Guyana. Venezuelan imports of food products were increased sharply near midyear to meet critical food shortages. U.S. exports for January-July indicate a significant increase in shipments of food commodities to those countries in 1977. (*Howard L. Hall: 202-447-8133*)

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

International Fund for Agricultural Development

The Fourth Preparatory Commission of the International Fund for Agricultural Development (IFAD) in July approved draft cooperative agreements to provide guidelines for programs implemented through or in cooperation with, the United Nations Food and Agriculture Organization (FAO), the World Bank (IBRD), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), and the African Development Bank (AF-DB).

The Preparatory Commission also approved an administrative budget for the first year of IFAD's operation of \$6.2 million, and the hiring of a staff

of 89 persons.

While a number of countries—including Sweden, Norway, Denmark, Saudi Arabia, and Sri Lanka have deposited instruments of ratification—and most others indicated that they would soon do so, the number of ratifications does not yet bring IFAD's contributions to the \$750 million necessary to make the Fund operational. The United States, the largest single contributor, announced that it would ratify in time to meet any date scheduled by the Commission for the convening of the Governing Council. It had been hoped that the Governing Council could be convened by mid-October, but present indications are that December 1977 is more likely. (*Roger Lewis: 202-447-9259*)

Grain Reserves

The United States in August announced a comprehensive plan to place 30 to 35 million tons of U.S. food and feed grains in reserve no later than October 1978. As part of this reserve, the Administration will seek Congressional approval to create a special 6-million-ton International Emergency Food Reserve that could only be released for non-commercial food aid for nutrition assistance and to meet U.S. obligations under a proposed international reserves agreement. Important parts of the plan are contingent upon provisions of the farm bill signed into law by the President on September 29.

Under the plan, the farmer-owned wheat and rice reserve program announced in April would be expanded to include 17 to 19 million tons of feed grain with a minimum release price expected to equal 125 percent of the loan (\$2.50 for corn), with the loans expected to be called when the price reaches 140 percent of loan (\$2.80). At least 8.16 million tons of wheat and 600,000 tons of rice will be held until the price exceeds 140 percent of loan levels, with loans called when prices exceed 175 percent of loan levels. In addition, some 1975-crop rice and 1976-crop wheat has or will be turned over to the Government and become part of the overall grain reserve when CCC price-support loans mature in coming months.

The full International Wheat Council (IWC) is scheduled to meet in late November, following meetings of preparatory groups in September and November, to determine if there is sufficient basis to justify the convening of a negotiating conference on a new International Wheat Agreement. The preparatory groups, among other things, have been discussing U.S. proposals at the June IWC meeting for a new agreement based on the concepts for: (1) an international system of nationally-held reserve stocks designed to moderate price swings; (2) agreement on measures to facilitate adjustment of consumption and production in response to world supply conditions; (3) special measures to contribute to developing country food security; and (4) continued efforts to reduce barriers to grain trade. Many nations urge completion of a new IWA before expiration of the current agreement on June 30, 1978. (W. Scott Steele: 202-447-8228)

Food Aid

The new farm bill and the International Development and Food Assistance Act of 1977 contain several provisions affecting U.S. food aid programs. The legislation extends the life of P.L. 480 for four more years.

Title I. A minimum of 75 percent of the food aid commodities allocated under Title I (concessional sales that are the principal component of P.L. 480)

in any fiscal year will go to countries that meet the per-capita GNP poverty level set by the International Development Association (\$550—\$300 under the old law) and that are also unable to secure sufficient food through their own production or commercial imports. No Title I agreement can be made with any country engaging in a consistent pattern of gross violations of internationally recognized human rights, unless it is determined that the aid commodities or proceeds from their sales will be used for programs which will directly benefit the needy people of that country.

Title II. The minimum tonnage of commodities under Title II (grants) will be raised from 1.3 to 1.6 million metric tons for fiscal years 1978-1980, of which not less than 1.3 million tons is to be distributed through voluntary agencies.

The farm bill increases the maximum authorization of Title II from \$600 million to \$750 million. Only the export market price of price-supported commodities would be charged to the Title II program, rather than the cost to the Commodity Credit Corporation (CCC). The difference between the CCC cost and the market price would be charged to the CCC program.

Title III. This new title aims to encourage countries to use the foreign currency proceeds from the sale of commodities authorized under Title I to increase food supplies, increase the access of the poor to food supplies, and improve the well being of the rural poor. Assistance under Title III will be authorized for programs of rural and agricultural development, nutrition, health services and population planning, with emphasis on activities to assist small farmers, sharecroppers, and landless farm laborers. Foreign currency accruing from the sale of Title I commodities that is used for the specified programs will be considered as repayment toward the concessional sale. Agreements under this title can be for one to five years. The value of agreements authorized under Title III will be at least 5 percent of the value of all Title I agreements in fiscal 1978, a minimum of 10 percent in fiscal 1979, and at least 15 percent in each succeeding fiscal year. This requirement may be waived if it is determined that there are insufficient projects which could qualify, and if the humanitarian purposes of P.L. 480 would be better served under other provisions.

The farm bill also authorizes the export of commodities for P.L. 480 in times of limited U.S. supplies for urgent humanitarian needs abroad. The foreign assistance act provides that no commodity will be authorized unless it is determined that adequate storage facilities are available at the time of exportation to prevent spoilage or waste and that the distribution of the commodity will not result in a substantial disincentive to domestic production in recipient countries. (Susan Libbin: 202-447-8474)

Table 1.-Prices received by farmers for selected commodities changes from the same month a year ago

Table 2-Prices paid by farmers for selected inputs changes from the same month a year ago

Table 3.--Export and Import Unit Values of Selected Commodities Changes
from the Same Month a Year Earlier

	United States	Japan	West Germany	Canada
<u>Percent change</u>				
Month	April	July	April	April
Wheat	-22.7 (X)	-23.5 (X)	-33.8 (I)	-17.6 (I)
Corn	-7.7 (X)	-18.0 (X)	-14.2 (I)	-6.5 (I)
Soybeans	+78.9 (X)	+26.1 (X)	+34.7 (I)	+84.5 (I)
Soybean Oil	+45.1 (X)	+36.9 (X)	---	---
Soybean Meal	+46.5 (X)	+41.3 (X)	---	+84.0 (I)
Cotton	+27.2 (X)	+20.5 (X)	+24.9 (I)	+22.0 (I)
Tobacco	+8.9 (X)	.5 (X)	---	+6.3 (I)
Rice	+26.2 (X)	+11.8 (X)	---	+11.0 (I)
Coffee	+158.8 (I)	+123.4 (I)	+97.6 (I)	+162.5 (I)
Sugar	-32.3 (I)	-40.0 (I)	-20.9 (I)	-26.8 (I)
Cocoa Beans	+90.2 (I)	+121.5 (I)	+110.0 (I)	+113.0 (I)
Beef	+3.3 (I)	-13.1 (I)	-14.9	-7.0 (I)
Natural Rubber	+20.2 (I)	+4.3 (I)	+7.4 (I)	-6.4 (I)
Export Unit Value Index	+12.4	-1.1	-7.1	+8.1
Import Unit Value Index	+69.9	+11.5	+20.8	+21.8
				+24.5

I = Import, unit value

X = Export, unit value

Table 4 --The food component of the consumer price index in selected countries

	: 1972	: 1973	: 1974	: 1975	: 1976	: I	: II	: III	: IV	: 1977	
	1976										
	1970=100										

Argentina	: 231	359	413	1,187	6,632	3,372	6,076	7,279	9,802	12,566	
Australia	: 108	124	143	154	171	168	169	174	---	---	
Austria	: 110	118	128	136	144	142	143	146	140	---	
Bangladesh	: 148	217	366	443	357	355	346	366	359	345	
Belgium	: 109	117	128	143	160	156	159	160	164	168	
Cameroon	: 114	123	146	171	186	179	186	188	193		
Canada	: 109	125	145	164	168	168	168	169	168	173	
Colombia	: 128	169	215	281	329	301	316	334	364		
Czechoslovakia	: 99	100	100	100	100	100	100	102	102		
Denmark	: 116	131	147	163	181	172	179	181	191	194	
Ecuador	: 118	142	188	223	245	233	234	244	208		
Egypt	: 106	140	135	152	---	163	174	174	---		
Ethiopia	: 88	99	108	113	160	133	162	168	176	169	
France	: 115	126	141	158	175	166	170	174	180	185	
Germany, West	: 110	118	124	130	137	135	138	137	137	142	
Greece	: 109	133	169	189	215	212	219	209	221	236	
India	: 108	131	171	179	156	153	151	158	162	163	
Indonesia	: 113	162	229	277	338	324	329	345	352	---	
Iran	: 116	124	144	161	---	166	181	---	---	---	
Ireland	: 120	140	160	195	227	213	226	243	251	---	
Israel	: 123	149	215	314	402	353	387	408	460	492	
Italy	: 111	124	146	172	202	187	199	204	217	227	
Japan	: 110	124	159	180	196	192	196	196	200	206	
Jordan	: 118	140	189	219	267	285	265	248	269	353	
Korea	: 135	138	176	233	274	259	269	286	282	289	
Liberia	: 91	118	149	172	172	168	170	174	172	---	
Malawi	: 116	124	144	172	176	188	172	169	174	---	
Malaysia	: 105	121	154	159	162	161	160	162	164	169	
Mexico	: 109	126	164	184	208	197	200	205	228	248	
Mozambique	: 130	127	155	---	---	182	191	185			
Netherlands	: 111	120	129	139	153	147	151	154	158	159	
New Zealand	: 114	127	142	157	186	175	183	190	196	205	
Niger	: 123	144	148	160	201	175	193	208	229		
Nigeria	: 126	120	150	214	268	267	265	266	275		
Pakistan	: 105	131	171	209	222	212	216	224	235	242	
Paraguay	: 121	147	183	192	200	203	198	196	202	211	
Peru	: 115	126	150	199	263	233	237	282	301		
Philippines	: 157	164	237	253	---	271	276	---	---		
Poland	: 100	102	113	114	---	---	---				
Portugal	: 120	131	173	214	264	250	248	263	294	323	
Rep. of South Africa	: 112	129	149	171	184	178	180	186	190	194	
Spain	: 118	132	152	177	211	192	210	216	224		
Sri Lanka	: 108	122	139	150	148	149	149	147	147	148	
Sweden	: 119	126	134	150	169	162	168	172	173	181	
Thailand	: 101	122	157	164	173	170	171	172	178		
Turkey	: 127	152	181	235	277	263	271	280	296		
United Kingdom	: 121	139	164	206	247	234	243	246	267	286	
United States	: 108	123	141	153	157	157	157	158	158	162	
Uruguay	: 241	489	844	1,442	2,128	1,823	1,907	2,276	2,507		
Venezuela	: 109	117	132	151	164	157	161	167	171	173	
Yugoslavia	: 139	169	196	244	283	273	291	274	293	327	
Zaire	: 133	155	200	261	---	426	465	---	---		
Zambia	: 112	119	130	145	---	163	171	---	---		

Source: International Labor Office, Bulletin of Labor Statistics.

Table 5--Estimates of World Fertilizer Production Capacity 1/ 1975/76 to 1981/82
 (Million Metric Tons of Nutrient)

Regions	NITROGEN						
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Developed Market Economies :	34.59	37.30	39.28	41.42	42.25	42.62	42.95
Developing Market Economies :	9.21	11.32	14.50	16.45	18.96	21.28	21.53
Centrally Planned Economies :	26.03	28.77	33.09	35.22	38.18	39.80	43.50
Total World :	69.83	77.39	86.87	93.09	99.39	103.70	107.98
PHOSPHATE							
Developed Market Economies :	15.28	17.08	17.32	17.49	17.79	18.02	17.91
Developing Market Economies :	3.61	4.64	4.72	4.98	6.53	8.74	9.07
Centrally Planned Economies :	4.35	4.61	4.81	5.06	5.20	6.19	6.52
Total World :	23.24	26.33	26.85	27.96	29.52	32.95	33.61
POTASH							
Developed Market Economies :	17.55	17.70	17.98	18.25	18.52	18.61	18.75
Developing Market Economies :	.33	.33	.33	.33	.33	.33	.38
Centrally Planned Economies :	12.25	12.42	13.34	14.46	15.38	16.40	17.05
Total World :	30.13	30.45	31.5	33.04	34.23	35.34	36.18

Source: FAO/UNIDO/World Bank Working Group on Fertilizers. Based upon preliminary estimates made in June 1977.

1/ Based upon rated nameplate capacity of existing facilities and those under construction or firmly committed by May 1977. Nitrogen capacity is for anhydrous ammonia only. Phosphate capacity is for wet process phosphoric acid only and potash capacity is based on marketable production of potash minerals.

Table 6--Estimates of World Fertilizer Supply Capability 1/ Demand 2/ and Balance 1975/76 to 1981/82
 (Million Metric Tons of Nutrient)

					FORECAST	
	Reported	Estimate			1979/80	1981/82
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
NITROGEN - N						
Supply	43.87	46.01	51.01	55.36	59.51	63.74
Demand	43.29	45.85	49.57	52.54	55.88	59.53
Balance	0.59	0.16	1.44	2.82	3.63	4.21
PHOSPHATE - P ₂ O ₅						
Supply	24.87	30.53	31.95	32.69	33.65	37.03
Demand	24.07	26.28	28.19	29.96	31.89	35.13
Balance	0.79	4.25	3.76	2.73	1.76	2.04
POTASH - K ₂ O						
Supply	23.46	26.37	27.49	28.87	29.98	30.92
Demand	21.32	23.45	24.95	25.73	26.98	28.26
Balance	2.14	2.92	2.59	1.89	3.00	2.66

Source: FAO/UNIDO/World Bank Working Group on Fertilizers. Based upon preliminary estimates made in June 1977.

- 1/ Supply figures are derived by reducing production to reflect nonfertilizer uses and losses in processing, storage, handling and transportation.
- 2/ Demand figures reflect absorptive capacities of the nations of the world taking foreign exchange availabilities into account and assuming that prices will remain between the low levels of 1971/72 and the peaks of 1973/74.

Table 7.--U.S. agricultural exports: Value by region
October-September 1974/75-1976/77

Region 1/	:	1974/75	:	1975/76	:	Forecast 1976/77
:						
		--- Billion dollars ---				
Western Europe	:	7.543		7.236		8.6
European Community	:	5.851		5.714		6.9
Other Western Europe	:	1.692		1.522		1.7
Eastern Europe	:	.760		1.293		1.1
U.S.S.R.	:	.600		2.047		1.1
Asia	:	7.983		7.433		8.5
West Asia	:	1.474		.823		1.1
South Asia	:	1.212		1.135		.8
Southeast & East Asia (excluding PRC & Japan)	:	1.984		2.065		2.7
Japan	:	3.213		3.408		3.9
PRC	:	.101		.002		<u>2/</u>
Canada	:	1.323		1.402		1.6
North Africa	:	.791		.700		.7
Other Africa	:	.392		.442		.5
Latin America	:	2.348		2.089		1.8
Oceania	:	.114		.117		.1
Total	:	21.854		22.759		24.0
	:					

1/ Adjusted for transshipments through Canada and Western Europe.

2/ \$12,000.

Table 8 .--U.S. agricultural imports: Value by commodity,
October-September 1974/75 and 1975/76

Commodity group	1974/75	1976/77	Forecast 1976/77

Billion dollars ---			

<u>Competitive</u>			
Animals and products:			
Dairy and poultry products	.222	.299	.38
Meat and meat products	1.085	1.437	1.3
Live animals	.092	.206	.22
Other animal products	.301	.365	.4
Vegetable products:			
Fruits, nuts, & vegetables	.763	.877	1.1
Oilseeds and products	.606	.539	.7
Sugar and related products	2.580	1.457	1.12
Tobacco, unmanufactured	.240	.279	.31
Wines and malt beverages	.326	.432	.53
Other vegetable products	.394	.416	.44
Total competitive products	6.609	6.307	6.5
<u>Noncompetitive</u>			
Bananas and plantains	.225	.275	.32
Coffee, cocoa, and tea	1.948	3.027	6.1
Rubber and allied gums	.343	.493	.6
Spices	.079	.095	.14
Other noncompetitive products	.266	.318	.29
Total noncompetitive products	2.861	4.208	7.45
Total	9.470	10.515	13.95

Table 9 --Beginning stocks of wheat and coarse grains as a share of consumption and trade

	Unit	:	1960/61-62/63	:	1969/70-71/72	:	1972/73	:	1973/74	:	1974/75	:	1975/76	:	1976/77	:	1977/78
Wheat Stocks																	
World	Mil. metric tons:	72.4	93.3	78.8	61.0	69.1	62.7	63.4									
Share of consumption	Percent :	30	28	22	17	19	18	17									100.8
" " trade	" :	159	171	111	84	102	85	98									25
Major exporters ^{1/}	Mil. metric tons:	53.2	55.2	44.7	27.1	22.3	22.3	29.6									140
Share of consumption	Percent :	206	165	131	82	73	68	91									47.0
" " world consumption	" :	22	16	12	8	6	6	8									130
" " trade	" :	117	101	63	37	33	30	46									12
United States	Mil. metric tons:	36.7	24.6	26.8	16.3	9.2	11.8	18.1									66
Share of consumption	Percent :	225	113	134	80	50	59	88									46
" " world consumption	" :	15	7	7	5	3	3	5									126
" " trade	" :	201	141	87	49	33	37	70									8
" " world trade	" :	80	45	38	22	14	16	28									111
Coarse grain stocks	Mil. metric tons:	96.4	75.9	78.4	60.6	56.2	52.0	52.0									42
World	Percent :	22	13	13	9	9	8	8									70.7
Share of consumption	" :	313	146	114	75	81	58	61									90
" " trade	" :																
Major exporters coarse grain stock 2/Mil. metric tons:																	
Share of consumption	Percent :	53	29	57.1	39.7	32.1	24.7	23.9									37.9
" " world consumption	" :	17	9	30	21	15	15	15									22
" " world trade	" :	247	99	83	49	46	4	4									6
U.S. coarse grain stocks	Mil. metric tons:	70.3	41.8	46.6	31.7	21.8	15.4	17.4									50
Share of consumption	Percent :	57	29	30	20	18	12	13									50
" " world consumption	" :	16	7	8	5	4	2	3									5
" " trade	" :	506	203	118	77	61	31	35									70
" " world trade	" :	228	80	68	39	31	17	21									40

^{1/} U.S., Canada, Australia, Argentina.^{2/} U.S., Canada, Australia, Argentina, Thailand, South Africa.

Table 10--World total grain production, consumption and net exports

	1960/61-62/63	1969/70-71/72	1975/76	1976/77 2/	1977/78 3/
	Pro-	Con-	Net	Pro-	Con-
	duction:sumption:exports	duction:sumption:exports	Net	duction:sumption:exports	Net
Developed Countries					
United States	313.4	297.7	20.2	399.3	372.9
Canada	168.3	139.8	32.7	208.7	169.0
EC-9	22.9	14.2	9.7	32.4	20.1
Other Western Europe	68.9	89.4	-21.5	91.9	109.2
South Africa	20.1	24.3	-4.3	28.5	33.3
Japan	7.0	4.7	2.2	10.1	7.1
Oceania	15.6	21.0	-5.3	12.7	27.9
Centrally Planned Countries	293.8	297.3	-3.3	399.6	414.8
Eastern Europe	56.6	63.5	-6.6	73.8	81.6
USSR	126.3	119.0	7.3	167.4	171.8
P.R. China	110.9	114.8	-3.9	158.3	161.4
Developing Countries	233.5	244.2	-13.4	307.2	324.5
Middle America	9.7	10.4	-0.9	15.8	17.0
Venezuela	.5	.9	-4	.8	-1.0
Brazil	13.8	15.7	-1.8	20.4	22.0
Argentina	13.2	8.3	5.2	19.4	11.3
Other South America	5.6	6.7	-1.0	6.8	8.9
North Africa/Middle East	31.3	36.5	-5.5	39.6	48.6
Central Africa	18.9	19.7	-2.4	22.4	24.1
East Africa	7.4	7.3	-.1	9.6	9.8
South Asia	92.1	97.4	-6.2	119.1	123.4
Southeast Asia	17.3	13.4	4.0	22.9	19.8
East Asia	23.7	27.9	-4.3	30.4	38.0
Rest of World	6.5	7.4	-.9	6.9	9.7
Total Above	847.2	846.7	---	1,113.0	1,122.0
World Total 1/	847.9	845.6	---	1,119.8	1,131.5

1/ World totals taken from the September issue of the Foreign Agricultural circular on grains.

2/ Preliminary.
3/ Forecast.

Table 11--World wheat production, consumption and net exports

1/ World totals taken from the September issue of the Foreign Agricultural circular on grains.
2/ Preliminary.
3/ Forecast.

Table 12--World coarse grain production, consumption and net exports

	1960/61-62/63	1969/70-71/72	1973/74	1975/76	1976/77 2/	1977/78 3/			
	Pro- duction: :sumption	Con- sumption: :sumption	Net :exports	Pro- duction: :sumption	Con- sumption: :sumption	Net :exports	Pro- duction: :sumption	Con- sumption: :sumption	Net :exports
Million metric tons									
Developed Countries									
United States	204.6	209.2	-1.6	271.8	270.9	1.0	300.7	278.2	25.1
Canada	133.0	122.5	13.6	165.8	145.8	20.2	184.9	133.5	49.3
EC-9	10.5	10.2	.3	18.5	15.4	3.3	20.0	16.8	4.3
Other Western Europe	38.5	52.6	-14.2	54.4	67.6	-13.0	59.2	75.3	-13.4
South Africa	11.2	13.3	-2.2	18.2	22.1	-4.1	22.3	29.4	-6.9
Japan	6.2	3.7	2.4	8.7	5.7	2.6	7.7	6.9	1.6
Oceania	2.3	4.8	-2.4	7.7	11.1	-10.3	13.8	-13.5	.3
Central Planned Countries	2.9	2.0	.9	5.4	3.2	2.3	6.3	2.2	3.8
Eastern Europe	138.5	137.4	.7	177.9	181.7	-3.3	187.2	206.7	-19.2
USSR	39.6	40.6	-1.0	47.4	50.3	-2.7	59.4	62.4	-3.7
P.R. China	59.0	56.2	2.5	73.8	74.7	-.5	65.8	82.4	-15.6
Developing Countries									
Middle America	99.4	96.1	2.8	129.1	124.1	5.3	142.8	139.7	.9
Venezuela	7.8	8.0	-.3	13.0	13.3	-.1	16.0	17.7	-2.4
Brazil	5.5	5.5	-.1	.7	.9	-.3	.7	1.3	-.6
Argentina	9.8	9.6	.2	14.6	14.4	.9	18.5	16.8	1.5
Other South America	7.9	4.7	3.3	13.3	6.7	6.3	12.4	6.5	7.1
North Africa/Middle East	13.9	14.5	-.6	16.4	17.8	-1.2	18.7	20.8	-2.3
Central Africa	16.3	16.3	--	18.8	18.9	--	17.9	18.1	-.3
East Africa	7.1	6.9	.2	9.1	9.1	-.1	10.1	9.8	.2
South Asia	27.3	27.0	-.1	30.9	31.0	-.1	33.4	32.7	.7
Southeast Asia	5.9	5.2	.2	8	2.4	1.6	1.8	3.6	.9
East Asia	5.6	5.6	-.5	6.4	7.7	-1.6	7.6	10.8	-3.8
Rest of World									
Total above	444.6	444.8	---	580.6	578.7	---	633.5	627.4	---
World total 1/	444.6	444.8	---	587.3	588.2	---	634.4	634.2	---

1/ World totals taken from the September issue of the Foreign Agricultural Circular on grains.
 2/ Preliminary.
 3/ Forecast.

Table 13 --World milled rice production, consumption and net exports

	1960/61-62/63	1969/70-71/72	1975/76	1976/77 2/	1977/78 3/
	Pro- duction: sumption: exports	Con- sumption: duction: sumption: exports	Pro- duction: sumption: exports	Con- sumption: duction: sumption: exports	Pro- duction: sumption: exports
-- Million metric tons --					
Developed Countries					
United States	14.53	14.22	.54	15.47	14.60
Canada	1.88	.95	.98	2.88	1.66
EC-9	--	.04	-.04	--	.05
Other Western Europe	.55	.75	-.21	.66	.74
South Africa	.40	.43	-.04	.43	.47
Japan	--	.04	-.04	--	.07
Oceania	.11.61	11.97	-.16	11.31	11.54
	.09	.04	.05	.19	.07
Centrally Planned Countries	51.79	.29		72.86	72.43
Eastern Europe	.08	.25	-.16	.14	.37
USSR	.15	.33	-.18	.83	1.10
P.R. China	51.21	.63		71.89	70.96
Developing Countries	91.27	90.88	.17	114.66	115.94
Middle America	.50	.54	-.04	.71	.81
Venezuela	.06	.06	-.01	.13	.11
Brazil	3.45	3.45	.07	4.12	4.00
Argentina	.11	.09	.02	.21	.15
Other South America	.97	.86	.11	1.41	1.31
North Africa/Middle East	1.74	1.76	-.02	2.81	2.70
Central Africa	2.00	2.36	-.36	2.71	3.22
East Africa	.15	.15	-.01	.19	.20
South Asia	47.31	48.27	-.96	58.05	58.63
Southeast Asia	16.40	13.01	3.39	20.52	18.79
East Asia	18.25	20.33	-2.02	23.80	26.02
Rest of World	4.25	4.43	.02	4.76	4.94
Total above	1162.12	1162.10	161.32	207.75	207.91
World total 1/					

1/ World totals taken from the September issue of the Foreign Agricultural circular on grains.
 2/ Preliminary.
 3/ Forecast.

Table 14--World total grain availabilities 1/

	1960/61-62/63	1969/70-71/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
	2/	3/	4/	5/	6/	7/	8/	9/
----- Million metric tons -----								
:								
Developed Countries	465.5	536.1	550.3	539.1	497.8	534.5	550.5	597.2
United States	275.6	272.4	297.4	284.2	234.2	274.6	292.0	320.4
Canada	42.2	64.4	57.5	52.4	47.0	50.7	57.2	54.4
EC-9	84.7	107.3	116.9	118.7	122.9	115.5	104.3	117.7
Other Western Europe	24.5	33.6	35.6	34.3	39.9	39.1	38.5	38.4
South Africa	7.9	11.6	9.1	15.0	14.1	11.7	13.9	13.2
Japan	18.3	20.7	16.4	15.6	16.1	17.3	17.6	18.5
Oceania	12.2	22.8	14.0	18.9	19.6	21.4	22.1	24.2
:	:	:	:	:	:	:	:	:
Centrally Planned Countries	302.7	422.7	422.5	481.2	484.6	424.9	503.2	528.2
Eastern Europe	60.8	78.9	90.4	90.0	94.2	91.6	96.8	99.6
USSR	131.0	185.4	168.6	222.9	210.9	150.4	221.2	245.0
P.R. China	110.9	158.3	163.6	168.3	179.6	182.9	185.2	183.6
:	:	:	:	:	:	:	:	:
Developing Countries	255.4	343.9	346.9	358.9	357.9	392.4	416.7	410.6
Middle America	10.3	16.8	15.4	18.0	17.8	21.6	22.2	21.6
Venezuela	.6	1.2	1.0	.9	1.0	1.2	1.2	1.5
Brazil	16.1	23.5	20.7	24.3	25.5	27.0	29.5	31.2
Argentina	14.2	20.6	24.4	25.9	22.2	23.4	29.8	24.0
Other South America	5.9	7.6	7.2	7.9	8.5	8.9	9.4	9.4
North Africa/Middle East	33.4	43.3	50.2	41.8	48.5	54.1	62.7	61.7
Central Africa	18.5	21.8	19.7	18.4	20.8	21.7	21.7	22.4
East Africa	7.4	9.9	10.9	11.2	10.2	11.3	11.1	10.9
South Asia	100.3	134.4	133.8	142.5	130.6	146.4	151.3	151.5
Southeast Asia	17.7	24.6	21.9	24.5	20.3	22.4	22.5	20.9
East Asia	24.5	33.2	34.0	36.3	39.4	40.8	41.3	42.4
:	:	:	:	:	:	:	:	:
Rest of world	6.5	6.9	7.7	7.4	13.1	13.6	14.0	13.2
:	:	:	:	:	:	:	:	:
Total above	1,023.6	1,302.7	1,319.7	1,379.2	1,340.4	1,351.8	1,470.5	1,536.0
World total 2/	1,023.6	1,306.0	1,323.2	1,383.3	1,337.4	1,348.5	1,466.7	1,509.8
:	:	:	:	:	:	:	:	:

1/ Production plus beginning stocks.

2/ World totals taken from the September issue of the Foreign Agriculture circular on grains.

3/ Preliminary.

4/ Forecast.

Table 15--Feed use of grain

	1960/61- 62/63	1969/60- 71/72	1975/76	1976/77 1/	1977/78 2/
	2/	3/	4/	5/	6/
----- Million metric tons -----					
:					
Developed Countries	187.9	252.1	245.1	246.8	261.0
United States	110.8	136.5	118.1	115.1	125.6
Other Developed Exporters	13.0	20.7	21.6	22.0	22.3
Western Europe	60.6	85.6	93.6	96.4	98.6
Japan	3.5	9.3	11.8	13.3	14.5
:	:	:	:	:	:
Centrally Planned Countries	77.5	143.8	157.9	177.0	181.5
Eastern Europe	28.8	46.5	60.1	61.5	60.5
USSR	40.7	84.3	82.8	101.5	106.0
P.R. China	8.0	13.0	15.0	14.0	15.0
:	:	:	:	:	:
Developing Countries	17.3	29.5	40.7	44.1	45.5
Mexico/Central America	.8	3.0	4.9	5.1	5.2
South America	10.8	17.6	20.4	22.1	22.6
Argentina	3.6	5.2	5.2	6.1	5.8
North Africa/Middle East	4.5	5.9	9.4	10.6	10.7
Other Developing Africa	.1	.1	.1	.1	.1
South Asia	.4	.7	1.4	1.2	1.1
India	.3	.6	1.0	.9	.8
Southeast Asia	---	.1	.4	.5	.7
Thailand	---	.1	.4	.5	.7
East Asia	.7	2.1	4.0	4.4	5.1
:	:	:	:	:	:
World Total	282.7	425.4	443.7	467.9	488.0
:	:	:	:	:	:

1/ Preliminary.

2/ Forecast.

Table 16.—World edible vegetable oil production, net trade and disappearance for 1974, 1975, forecast 1976, 1977, and projected 1978 (oil equivalent basis) 1/ 6/ 7/

		1974	1975	1976	1977	1978
		Production 2/	Exports 3/	Net Disappear-	Production 2/	Exports 3/
		Exports 3/	Imports 4/	ance 4/	Exports 3/	Imports 4/
- - - - - Million metric tons - - - - -						
Developed						
United States	8.4	3.3	4.6	6.7	2.1	4.4
Canada	-3.0	-1.1	.4	-.4	---	-.4
EC-9	-3.2	4.2	1.3	-3.2	4.5	1.0
Other Western Europe	1.0	1.5	1.2	-.7	1.9	1.0
Japan	1.0	1.1	1.1	-.1	1.1	1.1
Australia/New Zealand	---	-.1	.1	---	-.1	-.1
South Africa	-.2	-.2	.2	---	-.1	-.1
Total	11.1	-1.4	11.8	9.9	-2.9	12.5
Central Planned						
Eastern Europe	1.0	-.1	1.2	1.0	-.2	1.2
U.S.S.R.	3.6	.5	3.1	3.5	2.2	2.7
People's Republic of China	1.6	-.1	1.7	1.8	-.1	1.9
Total	6.3	.2	6.0	6.4	---	5.2
Less Developed						
Mexico/Central America	.6	-.3	1.0	.7	-.1	1.2
Brazil	1.8	1.3	2.1	1.0	1.1	2.4
Argentina	.5	.1	.4	-.5	-.4	1.6
Other South America	.3	-.2	.5	-.3	-.2	-.6
North Africa	.6	-.3	.8	-.2	1.1	-.9
Central Africa	2.4	.8	1.6	2.4	1.6	2.6
East Asia	3.7	1.4	2.3	2.5	2.5	4.9
South Asia	2.6	-.3	2.9	2.5	-.2	3.0
Southeast Asia	.2	---	.2	-.3	-.2	-.7
West Asia	.6	-.4	1.1	-.6	-.5	1.3
Total	13.4	2.4	12.1	14.0	10.9	16.2
Grand total	30.8	---	29.9	30.4	---	28.6
Grand total less U.S.	22.5	---	25.3	23.7	---	24.2

1/ Includes soybean, peanut, cottonseed, sunflower, rapeseed, sesame, palm, olive, palm kernel, coconut, safflower, corn and babassu oils.

2/ Crushed from domestically produced seed.

3/ Includes oil equivalent of imported seed.

4/ Production minus net exports; except for U.S.A.

5/ Forecast.

6/ Totals may not add due to rounding.

7/ Production data FAS 9/13/77.

Table 17.--Selected average annual and monthly prices for oilseeds, protein meals and vegetable oils 1970-76, 1977 1/

	Soybeans U.S. #2	Rapeseed Canadian	Copra	Peanuts	Soybean meal	Copra meal	Fishmeal (Peru)	Soybean oil	Peanut oil	Palm oil	Coconut
	\$1 Metric ton										
Annual											
1970	117	142	222	230	103	---	286	379	258	343	
1971	126	142	187	258	102	81	304	651	266	358	
1972	140	132	141	255	129	91	239	252	418	215	
1973	290	254	351	376	302	153	542	465	540	395	
1974	277	379	674	579	184	158	366	792	1,091	686	
1975	220	293	256	---	156	146	240	547	862	420	
1976	231	246	275	424	198	155	376	414	857	405	
Monthly 1977											
January	287	293	377	529	251	198	467	455	2/ 849	462	546
February	293	306	396	547	248	187	452	493	2/ 856	507	576
March	328	326	570	555	272	176	442	584	2/ 871	598	735
April	384	372	526	582	316	192	484	653	2/ 881	647	793
May	371	374	502	606	298	185	506	687	2/ 897	659	718
June	326	342	433	635	253	182	477	630	2/ 847	619	620
July	252	290	365	---	193	174	447	526	2/ 809	529	517
August 3/	234	263	324	---	178	173	387	485	2/ 827	499	462

1/ All prices c.i.f. North European ports except soybean oil which is f.o.b. Decatur.

2/ Indicates a change in the source of the commodity or in shipping basis.

3/ Three weeks average.

Table 18 --World Centrifugal Sugar Production, Trade, and Consumption

Country and Region	1969/70-	Production			1970-72	Net Exports			1970-72	Consumption	
	71/72	1974/75	1975/76	1976/77	Average	1974	1975	Average	1974	1975	
	Average										
: - - - - Thousand metric tons, raw value - - - -											
North America	17,423	17,147	19,186	18,734	2,265	2,079	3,823	14,997	15,160	14,285	
Canada	127	101	120	130	-953	-905	-953	1,055	984	1,057	
United States 1/	5,581	5,335	6,535	6,260	-4,941	-5,188	-3,311	10,532	10,290	9,110	
Cuba	6,282	5,700	6,200	5,800	5,519	5,491	5,744	569	522	499	
Dominican Republic	1,073	1,135	1,249	1,361	982	1,055	975	135	172	166	
Mexico	2,466	2,727	2,722	2,700	587	496	207	1,996	2,344	2,558	
Other North America	1,894	2,149	2,360	2,483	1,071	1,130	1,161	710	848	875	
South America	9,126	12,517	11,380	12,927	2,684	3,740	2,817	7,140	8,313	8,847	
Argentina	956	1,532	1,349	1,619	136	644	197	1,012	1,000	1,086	
Brazil	5,120	7,400	6,200	7,500	1,666	2,303	1,730	3,806	4,578	4,990	
Other South America	3,050	3,585	3,831	3,808	1,108	793	890	2,322	2,635	2,771	
Western Europe	10,974	10,636	12,730	13,244	-1,855	-2,683	-2,742	14,220	15,698	13,398	
EC-9	9,289	8,977	10,133	10,523	-831	-1,057	-1,474	10,566	11,718	9,562	
Other Western Europe	1,685	1,659	2,247	2,721	-1,024	-1,626	-1,268	3,654	3,980	3,836	
Eastern Europe	4,255	4,817	5,020	5,514	-471	-446	-476	4,877	5,229	5,296	
USSR	8,554	7,730	7,700	7,350	-1,160	-1,739	-3,178	10,449	11,250	11,304	
Africa	4,701	5,688	5,477	6,263	491	347	-10	4,393	4,945	5,166	
South Africa Republic	1,629	1,883	1,802	2,042	833	826	808	958	1,140	1,215	
Asia	13,160	16,392	17,634	18,912	-3,575	-2,937	-2,571	17,144	18,283	17,950	
People's Republic of China	2,008	2,400	2,550	2,600	-461	-360	-182	3,347	4,200	4,200	
India	4,447	5,794	5,460	5,950	266	536	1,045	4,039	3,790	3,862	
Japan	485	478	471	574	-2,529	-2,836	-2,441	3,126	3,336	2,796	
Philippines	1,952	2,465	2,936	2,627	1,284	1,636	1,006	675	949	853	
Oceania	2,813	3,287	3,260	3,683	2,055	1,878	2,025	962	1,044	1,050	
Australia	2,467	2,927	2,988	3,390	1,918	1,828	1,962	712	764	792	
World Total 2/	71,005	78,214	82,387	86,627	436	239	-313	74,182	79,924	77,295	

1/ Includes Hawaii, and Puerto Rico.

2/ World net exports include statistical discrepancies.

Source: Foreign Agricultural Service; Net Exports and Consumption, International Sugar Organization.

Table 19--Cotton production, exports, imports and mill consumption in selected regions 1969/70-1976/77

	Production				Exports				Imports				Consumption																		
	1969/70:		1969/70:		1969/70:		1969/70:		1969/70:		1969/70:		1969/70:		1969/70:																
	:1971/72 :1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72		:1974/75:1975/76:1976/77: 71/72																
	:average: :1/ :average :1/																														
	<u>Million 480-lb. bales</u>																														
U.S.	: 10.2	11.5	8.3	10.6	3.4	3.9	3.3	4.8	.1	---	.1	.1	8.2	5.9	7.3	6.7															
USSR	: 10.1	12.2	11.6	12.1	2.5	3.6	3.9	4.0	1.0	.7	.6	.4	8.2	8.7	8.7	8.8															
China, People's Republic	: 9.2	11.5	11.0	10.8	.1	.2	.2	.2	.5	.7	.8	.7	9.5	12.3	12.4	12.0															
India	: 5.1	6.0	5.3	4.9	.2	.1	.3	---	.7	---	.2	.8	5.4	6.0	6.2	5.8															
Pakistan	: 2.7	2.9	2.4	1.8	.7	1.1	.4	.1	---	---	---	---	2.0	2.2	2.2	1.8															
Brazil	: 2.8	2.3	1.8	2.3	1.5	.3	.4	---	---	---	---	---	1.4	1.6	1.9	2.1															
Egypt	: 2.4	2.0	1.8	1.8	1.4	.9	.8	1.0	---	---	---	---	.1	.9	1.0	1.0															
Turkey	: 2.0	2.8	2.2	2.2	1.3	.6	2.2	.6	---	---	---	---	.8	1.1	1.3	1.5															
Mexico	: 1.6	2.2	.9	1.0	1.0	.9	.4	.5	---	---	---	---	.7	.7	.8	.6															
Central America	: .9	1.4	1.2	1.5	.8	1.4	1.3	1.3	---	---	---	---	.1	.2	.1	.2															
Sudan	: 1.1	1.0	.4	.7	1.0	.6	1.0	1.2	---	---	---	---	.1	.1	.1	.1															
EC-9	: ---	---	---	---	---	.1	.2	.2	.2	4.4	3.7	4.0	3.5	4.0	3.5	3.6															
Eastern Europe	: .1	.1	.1	.1	---	---	---	---	2.7	3.1	3.2	3.3	2.9	3.0	3.3	3.4															
Japan	: ---	---	---	---	---	.2	.3	.1	3.6	3.2	3.2	3.0	3.3	2.6	3.0	2.7															
Hong Kong	: ---	---	---	---	---	---	---	.1	.7	.8	1.3	.8	.7	.8	1.0	.8															
Taiwan	: ---	---	---	---	---	---	---	.6	.7	1.0	.7	.6	.7	.9	.9	.9															
Korea, Republic of	: ---	---	---	---	---	---	---	---	.5	.7	1.0	1.0	.5	.7	.9	1.0															
Other	: 7.3	8.3	7.2	7.9	4.0	3.4	4.1	3.9	3.5	3.5	3.9	3.8	7.1	7.4	7.6	7.8															
World	: 55.5	64.3	54.2	57.7	18.0	17.4	18.8	18.0	18.3	17.1	19.3	18.1	56.4	58.5	62.3	60.9															
	:1/																														

1/ Preliminary.

Source: Foreign Agricultural Service.

Table 20--United States cotton exports by destination, 1969/70-1976/77 1/

Country	Average	1974/75	1975/76	1976/77
	1969/70-	1974/75	1975/76	1976/77
	1971/72	1974/75	1975/76	1976/77
<u>1,000 running bales</u>				
Bangladesh	: ---	48	138	113
Canada	: 261	186	131	187
China, People's Republic	: ---	289	8	---
China, Republic of (Taiwan)	: 296	384	507	436
European Community	(306)	(316)	(112)	(263)
France	: 42	65	23	45
Germany, Federal Republic	: 56	52	11	36
Italy	: 75	98	53	85
United Kingdom	: 65	38	10	66
Other	: 68	63	15	31
Hong Kong	: 100	73	126	358
India	: 191	---	---	273
Indonesia	: 221	72	233	191
Japan	: 730	957	646	973
Korea	: 478	628	893	913
Philippines	: 136	111	106	88
Poland	: 30	22	32	8
Romania	: 49	44	---	17
South Vietnam	: 107	29	---	---
Spain	: 20	58	17	86
Switzerland	: 27	58	29	76
Thailand	: 102	106	71	165
Others	: 191	365	129	418
World	: 3,245	3,746	3,178	4,565
	:1/			

1/ Years beginning August 1.

Source: Foreign Agriculture Service.

1978 FOOD AND AGRICULTURAL OUTLOOK CONFERENCE

U.S. Department of Agriculture
November 14-17, 1977

MONDAY - THURSDAY, NOV. 14-17
8:30 A.M. - 4:30 P.M.

REGISTRATION, EXHIBITS,
VISITOR CENTER

Patio
USDA Administration Building

MONDAY P.M., NOVEMBER 14

GENERAL SESSION

Thomas Jefferson Auditorium
USDA South Building

- 1:00 Opening of Conference
1:15 U.S. Farm and Food Policy in the World of the Seventies
1:45 U.S. Food Policy and the Consumer
2:15 Announcements, Discussion, Questions
3:00 Break

Room 2096
USDA South Building

- 3:15 From Forecasting to Outlook--Methods, Procedures, and Hunches

Room 3840
USDA South Building

- 3:15 Resources and the Environment--Pesticides, Land Use, Waste Management

Room 1605
USDA South Building

- 3:15 "Lest We Forget" Movie dealing with world hunger
4:00 "Lest We Forget" Second showing of movie

MONDAY P.M., NOVEMBER 14

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

- 3:15 Sugar and Sweetener Outlook

Cafeteria -- South End
USDA South Building

- 5:00 Reception -- Cash Bar
5:30 Buffet Dinner

GENERAL SESSION

Thomas Jefferson Auditorium
USDA South Building

- 6:45 U.S. Agriculture in World Perspective
7:45 Adjourn

TUESDAY A.M., NOVEMBER 15

GENERAL SESSION

Thomas Jefferson Auditorium
USDA South Building

- 9:00 The U.S. Economic Outlook in World Perspective
9:20 U.S. Agricultural Trade Outlook
9:40 World and U.S. Agricultural Outlook
10:00 Panel Discussion
10:15 General Discussion
10:30 Break
10:45 Outlook for Farm Inputs and Factors Affecting Production
11:05 The Weather -- Outlook and Implications for Agriculture
11:25 Discussion and comments from the floor
12:00 Break

TUESDAY P.M., NOVEMBER 15

GENERAL SESSION

Room 1339
USDA South Building

12:00 Capital and Credit Luncheon

Cafeteria -- South End
USDA South Building

- 1:30 Capital and Credit Outlook and Related Issues for the Farmer
2:05 Panel
2:35 General Discussion
3:00 Adjourn

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

- 1:00 U.S. and World Cotton Outlook
1:30 General Discussion
2:45 Break

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

- 3:00 U.S. and World Fats and Oils Outlook
3:20 First Discussant
3:35 Second Discussant
3:50 General Discussion
4:45 Adjourn

WEDNESDAY A.M., NOVEMBER 16

FAMILY LIVING SESSION

Freer Gallery Auditorium
12th and Jefferson Drive, S.W.

- 8:45 Outlook for Housing, Labor Force, Metrification, and Clothing
11:30 Break

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

- 8:30 U.S. and World Grain Outlook
9:30 Discussants -- Wheat, Rice, Feed Grains
11:30 Lunch

COMMODITY SESSION

Room 1339
USDA South Building

- 2:45 Tobacco Outlook
3:05 General Discussion
4:00 Adjourn

FAMILY LIVING SESSION

Freer Gallery Auditorium
12th and Jefferson Drive, S.W.

- 1:30 Food -- Consumer Concerns and Behavior
4:30 Adjourn

WEDNESDAY P.M., NOVEMBER 16

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

- 12:45 Meat Animal Outlook
1:30 Discussion
2:00 Break

FAMILY LIVING SESSION

Freer Gallery Auditorium
12th and Jefferson Drive, S.W.

- 1:30 Energy Saving Technologies -- New Developments
2:30 Break
2:45 Energy -- New Developments (continued)
4:30 Adjourn

WEDNESDAY P.M., NOVEMBER 16

COMMODITY SESSION

Cafeteria -- South End
USDA South Building

1:30 Fruit and Tree Nut Outlook
1:50 Vegetable and Potato Outlook
2:10 Discussion
2:45 Adjourn

COMMODITY SESSION

Room 3840
USDA South Building

2:00 Forest Products Outlook
2:40 Discussion
3:15 Adjourn

COMMODITY SESSION

Thomas Jefferson Auditorium
USDA South Building

2:15 Dairy Outlook
3:00 Discussant
3:10 Discussion
3:30 Break
3:45 Poultry Outlook
4:05 Panel and General Discussion
5:00 Adjourn

THURSDAY A.M., NOVEMBER 17

GENERAL SESSION

Thomas Jefferson Auditorium
USDA South Building

8:45 Outlook for Food
9:30 U.S. Dietary Goals and Implications
10:15 Break
10:30 Establishing and Implementing National Dietary Goals
11:15 Consumer Diets: How Do National Goals Affect Them?
12:15 Conference Ends

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The Agricultural Situation in the Soviet Union

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